

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LAKE MCCOY CONSERVANCY DISTRICT

DECATUR COUNTY, INDIANA

January 1, 2013 to December 31, 2015



**FILED**  
01/13/2017



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Report.....	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis .....	6-7
Notes to Financial Statements.....	8-10
Other Information - Unexamined:	
Combining Schedules of Receipts, Disbursements, and Cash and	
Investment Balances - Regulatory Basis .....	12-14
Schedule of Leases and Debt .....	15
Other Reports.....	16

#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Jerry Stuart	01-01-13 to 07-28-13
	Sylvester Gilbert	07-29-13 to 12-31-15
	Jerry Stuart	01-01-16 to 12-31-16
President of the Board	Jerry Stuart	01-01-10 to 12-31-16



**STATE OF INDIANA**  
**AN EQUAL OPPORTUNITY EMPLOYER**

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**INDEPENDENT ACCOUNTANT'S REPORT**

**TO: THE OFFICIALS OF THE LAKE MCCOY CONSERVANCY DISTRICT, DECATUR COUNTY, INDIANA**

We have examined the accompanying financial statements of the Lake McCoy Conservancy District (District), for the period of January 1, 2013 to December 31, 2015. 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 to the financial statements, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.


In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2013 to December 31, 2015.

In our opinion, the financial statements referred to above present, in all material respects, the financial position and results of operations of the District for the period of January 1, 2013 to December 31, 2015, based on the prescribed basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REPORT  
(Continued)

The accompanying financial statements have been prepared assuming the District will continue as a going concern. As discussed in Note 6 to the financial statements, the District has experienced declining cash and investment balances that raise substantial doubt about its ability to continue as a going concern. The District's plans in regard to these matters are also described in note 6. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and 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.

  
Paul D. Joyce, CPA  
State Examiner

December 15, 2016

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

LAKE MCCOY CONSERVANCY DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
General	<u>\$ 97,216</u>	<u>\$ 16,097</u>	<u>\$ 73,952</u>	<u>\$ 39,361</u>	<u>\$ 24,442</u>	<u>\$ 48,649</u>	<u>\$ 15,154</u>

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



LAKE MCCOY CONSERVANCY DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2015

<u>Fund</u>	<u>Cash and Investments 01-01-15</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-15</u>
General	<u>\$ 15,154</u>	<u>\$ 28,198</u>	<u>\$ 40,237</u>	<u>\$ 3,115</u>

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

LAKE MCCOY 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 elected governing board and provides general administration for Lake McCoy Reservoir.

The accompanying financial statements present the financial information for the District.

**B. Basis of Accounting**

The financial statements are reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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.

*Other receipts.* Amounts received from various sources, including, but 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 include the following uses:

LAKE MCCOY CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Personal services.* Amounts disbursed 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.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.

**F. Interfund Transfers**

The District may, from time to time, make transfers 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 amounts 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 amounts 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

LAKE MCCOY CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, the following: 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.

**Note 6. *Going Concern***

The financial status of the District has declined in the last few years due to a decrease in funding from property taxes. This decrease is a result of a reduction in tax levy amounts due to the failure to file required financial and budgetary information timely or accurately. To address this concern, the District is implementing procedures to ensure that the required reports are filed timely and accurately with the respective state agencies.

#### OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the District's Annual Financial Reports 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 other information presented was approved by management of the District. It is presented as intended by the District.

LAKE MCCOY CONSERVANCY DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	<u>General</u>
Cash and investments - beginning	\$ <u>97,216</u>
Receipts:	
Taxes	16,062
Other receipts	<u>35</u>
Total receipts	<u>16,097</u>
Disbursements:	
Personal services	2,000
Other services and charges	8,802
Debt service - principal and interest	<u>63,150</u>
Total disbursements	<u>73,952</u>
Excess (deficiency) of receipts over disbursements	<u>(57,855)</u>
Cash and investments - ending	\$ <u><u>39,361</u></u>

LAKE MCCOY CONSERVANCY DISTRICT  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2014

	<u>General</u>
Cash and investments - beginning	<u>\$ 39,361</u>
Receipts:	
Taxes	24,421
Other receipts	<u>21</u>
Total receipts	<u>24,442</u>
Disbursements:	
Personal services	1,500
Other services and charges	12,074
Debt service - principal and interest	<u>35,075</u>
Total disbursements	<u>48,649</u>
Excess (deficiency) of receipts over disbursements	<u>(24,207)</u>
Cash and investments - ending	<u><u>\$ 15,154</u></u>

LAKE MCCOY CONSERVANCY DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2015

	<u>General</u>
Cash and investments - beginning	\$ 15,154
Receipts:	
Taxes	23,997
Other receipts	<u>4,201</u>
Total receipts	<u>28,198</u>
Disbursements:	
Personal services	-
Other services and charges	5,762
Debt service - principal and interest	<u>34,475</u>
Total disbursements	<u>40,237</u>
Excess (deficiency) of receipts over disbursements	<u>(12,039)</u>
Cash and investments - ending	<u><u>\$ 3,115</u></u>



LAKE MCCOY CONSERVANCY DISTRICT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2015

Type	Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:			
General obligation bonds:	Dam/spillway renovation	\$ 70,000	\$ 24,550
1997 Series	Reconstruction	<u>36,000</u>	<u>8,250</u>
2001 Series		<u>\$ 106,000</u>	<u>\$ 32,800</u>

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.