

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

EXAMINATION REPORT
OF
STUCKER FORK CONSERVANCY DISTRICT
SCOTT COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/20/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Janice Couch	01-01-05 to 12-31-07
Chief Executive Officer	Randy Needler Larry McIntosh	01-01-05 to 07-02-07 07-03-07 to 12-31-07
Utility Manager	(Vacant) Larry McIntosh Randy Needler	01-01-05 to 06-18-06 06-19-06 to 07-02-07 07-03-07 to 12-31-07
President of the Board	Elmer J. Reardon	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Stucker Fork Conservancy District (District), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, 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

October 11, 2007

STUCKER FORK CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 82,612	\$ 58,607	\$ 73,444	\$ 67,775
Cumulative Maintenance	27,883	117	-	28,000
Prepaid Flood Damage	8,076	35	-	8,111
Rainy Day	37,874	22,797	-	60,671
Proprietary Funds:				
Water Operating	3,353,540	3,870,972	4,231,085	2,993,427
Water Bond and Interest	-	297,850	-	297,850
Water Debt Service Reserve	492,325	8,203	-	500,528
Water Customer Deposit	222,384	58,642	28,580	252,446
Water Construction	-	3,950,737	86,395	3,864,342
Fiduciary Fund:				
Payroll	403	2,398	2,662	139
Totals	<u>\$ 4,225,097</u>	<u>\$ 8,270,358</u>	<u>\$ 4,422,166</u>	<u>\$ 8,073,289</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 67,775	\$ 83,701	\$ 78,688	\$ 72,788
Cumulative Maintenance	28,000	1,780	-	29,780
Prepaid Flood Damage	8,111	519	-	8,630
Rainy Day	60,671	16,172	-	76,843
Proprietary Funds:				
Water Operating	2,993,427	7,244,118	6,418,438	3,819,107
Water Bond and Interest	297,850	805,756	802,816	300,790
Water Debt Service Reserve	500,528	63,936	-	564,464
Water Customer Deposit	252,446	52,803	57,546	247,703
Water Construction	3,864,342	21,759	3,016,223	869,878
Fiduciary Fund:				
Payroll	139	2,325	2,148	316
Totals	<u>\$ 8,073,289</u>	<u>\$ 8,292,869</u>	<u>\$ 10,375,859</u>	<u>\$ 5,990,299</u>

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

STUCKER FORK CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an elected governing board and provides conservation (water management) and water 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. All property taxes collected by the County Treasurer and available for distribution were distributed to the District on or prior to December 31 of the year collected.

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.

STUCKER FORK 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 Events

The District's Water Utility awarded a contract for \$1,588,886 for a Water Utility improvement project; an additional contract for water line replacement on the State Road 256 project for \$97,910; and the purchase of a new trencher with a backhoe and boring unit for \$65,435.

STUCKER FORK CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Debt	Ending Principal Balance	Principal and Interest Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
1970 Structure improvements	\$ 79,046	\$ 7,657
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks revenue bonds of 1998	\$ 8,015,000	\$ 480,000
Waterworks revenue bonds of 2005	<u>3,840,000</u>	<u>317,243</u>
 Total Water Utility	 <u>\$ 11,855,000</u>	 <u>\$ 797,243</u>

STUCKER FORK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

RECORD INFORMATION (Applies to Water Utility)

The depository reconciliations presented for examination were incorrect. A review of the general ledger identified \$29,720.84 of accrued interest receivable from an investment incorrectly posted to the operating cash account. When the investment matured, the actual interest earned was not posted as a reconciling item to offset interest income. The accumulating effect resulted in an overstatement of operating cash by \$29,720.84, an overstatement of interest income by \$1,979.68 and an understatement of operating investment by \$27,741.16.

Upon inquiry and review it was determined that accrued interest receivable was also posted to the operating investment account for operating, customer deposit, and debt service investments. In addition, adjustments were not always made for the difference between accrued interest income and actual interest earnings.

We recommended accounts be established for interest receivable for each investment account type (i.e., operating, customer deposit, and debt service reserve) and record accrued interest to these accounts. The difference between the accrued interest income and the actual interest earned should be offset to the interest receivable and interest income accounts.

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."

At all times, the manual and 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)

CAPITAL ASSET RECORDS (Applies to Water Utility)

The 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 reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. 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)

STUCKER FORK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 11, 2007, with Larry McIntosh, Chief Executive Officer; and Janice Couch, Financial Clerk. The officials concurred with our findings.