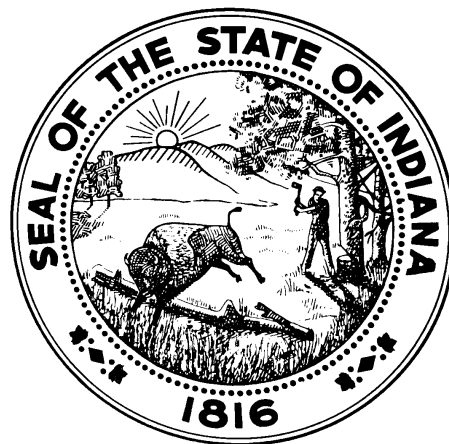


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
MARION HEIGHTS CONSERVANCY DISTRICT
VIGO COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Diana Jean Carty Amy R. Mason	01-01-06 to 02-28-07 03-01-07 to 12-31-08
Treasurer	Jerry Heffernan	01-01-06 to 12-31-08
President of the Board	Helen Ruhl	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF MARION HEIGHTS CONSERVANCY DISTRICT, VIGO COUNTY, INDIANA

We have examined the financial information presented herein of Marion Heights 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 8, 2008

MARION HEIGHTS CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY 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
Proprietary Funds:				
Operating Cash	\$ 9,076	\$ 264,987	\$ 260,619	\$ 13,445
Operating Investment	16,805	20,000	-	36,805
Bond and Interest Cash	44,363	96,878	87,130	54,111
Debt Service Savings	25,324	11,279	20,000	16,603
Debt Service Investment	60,000	-	-	60,000
Priority Capital Expenditure	45,151	28,613	16	73,748
Capital Improvement Projects	22,943	14,221	33,450	3,714
Construction Investments	22,628	-	-	22,628
Totals	<u>\$ 246,290</u>	<u>\$ 435,979</u>	<u>\$ 401,214</u>	<u>\$ 281,054</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Operating Cash	\$ 13,445	\$ 248,872	\$ 257,350	\$ 4,967
Operating Investment	36,805	1,616	-	38,421
Bond and Interest Cash	54,111	80,768	89,422	45,456
Debt Service Savings	16,603	7,551	-	24,154
Debt Service Investment	60,000	-	-	60,000
Priority Capital Expenditure	73,748	23,877	60,747	36,878
Capital Improvement Projects	3,714	13,692	-	17,407
Construction Investments	22,628	-	-	22,628
Totals	<u>\$ 281,054</u>	<u>\$ 376,376</u>	<u>\$ 407,519</u>	<u>\$ 249,911</u>

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

MARION HEIGHTS CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides water utility 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. 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.

Note 4. Subsequent Event

During 2008, the District Board discussed proposals from Indiana American Water Corporation to purchase the District's assets. In November 2008, the District Board made a counter offer to Indiana American Water Corporation in the amount of \$925,000 for such a purchase.

MARION HEIGHTS CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks 1966	\$ 17,000	\$ 17,893
Waterworks 1996	665,000	71,022
Total business-type activities debt:	\$ 682,000	\$ 88,915

MARION HEIGHTS CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

INVESTMENT MATURITY LIMITATIONS

The governmental unit purchased investments which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

CAPITAL ASSET RECORDS

The District 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 District's capital assets are not available, and records classifying and summarizing the District's capital assets are incomplete. Deletions or disposals of capital assets are not 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 District, Chapter 16)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Guarantee Deposit Register (General Form 314)
General Fixed Asset Account Group (General Form 369)

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 22)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

MARION HEIGHTS CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 8, 2008, with Amy R. Mason, Financial Clerk. The official concurred with our findings.