

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TRI-COUNTY CONSERVANCY DISTRICT

MORGAN COUNTY, INDIANA

January 1, 2012 to December 31, 2015



FILED
04/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	David K. Pasotti	01-01-12 to 12-31-16
President of the Board of Directors	Tim Shrout	01-01-12 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TRI-COUNTY CONSERVANCY DISTRICT, MORGAN COUNTY, INDIANA

We have examined the accompanying financial statements of the Tri-County Conservancy District (District), for the period of January 1, 2012 to December 31, 2015. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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 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 fairly, 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, 2012 to December 31, 2015.

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 period of January 1, 2012 to December 31, 2015, on the basis of accounting described in Note 1.

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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, 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
Paul D. Joyce, CPA
State Examiner

February 23, 2016

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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.

TRI-COUNTY CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Wastewater Utility	\$ 2,446,715	\$ 2,742,090	\$ 2,381,348	\$ 2,807,457	\$ 2,919,910	\$ 2,585,837	\$ 3,141,530
Water Utility - Operating	133,895	801,736	792,483	143,148	734,627	705,260	172,515
Totals	<u>\$ 2,580,610</u>	<u>\$ 3,543,826</u>	<u>\$ 3,173,831</u>	<u>\$ 2,950,605</u>	<u>\$ 3,654,537</u>	<u>\$ 3,291,097</u>	<u>\$ 3,314,045</u>

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

TRI-COUNTY CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Wastewater Utility	\$ 3,141,530	\$ 2,726,833	\$ 2,486,140	\$ 3,382,223	\$ 2,986,634	\$ 2,623,593	\$ 3,745,264
Water Utility - Operating	<u>172,515</u>	<u>711,446</u>	<u>707,172</u>	<u>176,789</u>	<u>688,047</u>	<u>687,713</u>	<u>177,123</u>
Totals	<u>\$ 3,314,045</u>	<u>\$ 3,438,279</u>	<u>\$ 3,193,312</u>	<u>\$ 3,559,012</u>	<u>\$ 3,674,681</u>	<u>\$ 3,311,306</u>	<u>\$ 3,922,387</u>

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

TRI-COUNTY 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.

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 which can include the exceptional benefits tax.

Utility fees and other related charges which are comprised mostly of charges for current services and penalties for late payments.

Penalties which include fees received for late payments.

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 include the following uses:

TRI-COUNTY CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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.

TRI-COUNTY CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. *Exceptional Benefit Assessments*

Exceptional benefit assessments are levied on the following subdivisions within the Conservancy District commonly known as Heartland Crossing: The Settlement, Section 1; The Sanctuary, Sections 1 and 2; The Villas, Section 1 and 2; The Landings, Sections 1 and 2; and The Mission, Sections 1 and 2. The assessment was for \$2,300 per lot plus interest at the rate of 7.5 percent payable in equal annual amounts of \$222.50 per lot per year for 20 years beginning in 1998. Exceptional benefit assessments levied are collected by the Morgan County Treasurer and are distributed to the Conservancy District in June and December. Assessments 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.

OTHER INFORMATION - UNAUDITED

The District's Annual 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 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 other information presented was approved by management of the District. It is presented as intended by the District.

TRI-COUNTY CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	<u>Wastewater Utility</u>	<u>Water Utility - Operating</u>	<u>Totals</u>
Cash and investments - beginning	\$ 2,446,715	\$ 133,895	\$ 2,580,610
Receipts:			
Taxes	643,944	-	643,944
Utility fees	1,544,384	422,785	1,967,169
Penalties	55,584	4,912	60,496
Other receipts	<u>498,178</u>	<u>374,039</u>	<u>872,217</u>
Total receipts	<u>2,742,090</u>	<u>801,736</u>	<u>3,543,826</u>
Disbursements:			
Personal services	72,611	-	72,611
Other services and charges	46,381	-	46,381
Debt service - principal and interest	845,451	-	845,451
Utility operating expenses	1,046,905	338,491	1,385,396
Other disbursements	<u>370,000</u>	<u>453,992</u>	<u>823,992</u>
Total disbursements	<u>2,381,348</u>	<u>792,483</u>	<u>3,173,831</u>
Excess (deficiency) of receipts over disbursements	<u>360,742</u>	<u>9,253</u>	<u>369,995</u>
Cash and investments - ending	<u>\$ 2,807,457</u>	<u>\$ 143,148</u>	<u>\$ 2,950,605</u>

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

	<u>Wastewater Utility</u>	<u>Water Utility - Operating</u>	<u>Totals</u>
Cash and investments - beginning	\$ 2,807,457	\$ 143,148	\$ 2,950,605
Receipts:			
Taxes	637,810	-	637,810
Utility fees	1,775,880	394,450	2,170,330
Penalties	58,064	4,978	63,042
Other receipts	<u>448,156</u>	<u>335,199</u>	<u>783,355</u>
Total receipts	<u>2,919,910</u>	<u>734,627</u>	<u>3,654,537</u>
Disbursements:			
Personal services	79,028	-	79,028
Other services and charges	53,923	-	53,923
Debt service - principal and interest	846,351	-	846,351
Utility operating expenses	1,271,535	282,416	1,553,951
Other disbursements	<u>335,000</u>	<u>422,844</u>	<u>757,844</u>
Total disbursements	<u>2,585,837</u>	<u>705,260</u>	<u>3,291,097</u>
Excess (deficiency) of receipts over disbursements	<u>334,073</u>	<u>29,367</u>	<u>363,440</u>
Cash and investments - ending	<u>\$ 3,141,530</u>	<u>\$ 172,515</u>	<u>\$ 3,314,045</u>

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

	<u>Wastewater Utility</u>	<u>Water Utility - Operating</u>	<u>Totals</u>
Cash and investments - beginning	\$ 3,141,530	\$ 172,515	\$ 3,314,045
Receipts:			
Taxes	521,796	-	521,796
Utility fees	1,703,976	407,662	2,111,638
Penalties	48,847	2,319	51,166
Other receipts	<u>452,214</u>	<u>301,465</u>	<u>753,679</u>
Total receipts	<u>2,726,833</u>	<u>711,446</u>	<u>3,438,279</u>
Disbursements:			
Personal services	84,068	-	84,068
Other services and charges	48,151	-	48,151
Debt service - principal and interest	847,051	-	847,051
Utility operating expenses	1,206,870	270,213	1,477,083
Other disbursements	<u>300,000</u>	<u>436,959</u>	<u>736,959</u>
Total disbursements	<u>2,486,140</u>	<u>707,172</u>	<u>3,193,312</u>
Excess (deficiency) of receipts over disbursements	<u>240,693</u>	<u>4,274</u>	<u>244,967</u>
Cash and investments - ending	<u>\$ 3,382,223</u>	<u>\$ 176,789</u>	<u>\$ 3,559,012</u>

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

	Wastewater Utility	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 3,382,223	\$ 176,789	\$ 3,559,012
Receipts:			
Taxes	733,930	-	733,930
Utility fees	1,787,679	386,915	2,174,594
Penalties	51,190	2,509	53,699
Other receipts	<u>413,835</u>	<u>298,623</u>	<u>712,458</u>
Total receipts	<u>2,986,634</u>	<u>688,047</u>	<u>3,674,681</u>
Disbursements:			
Personal services	97,222	-	97,222
Other services and charges	58,919	-	58,919
Debt service - principal and interest	842,551	-	842,551
Capital outlay	25,872	-	25,872
Utility operating expenses	1,301,029	282,316	1,583,345
Other disbursements	<u>298,000</u>	<u>405,397</u>	<u>703,397</u>
Total disbursements	<u>2,623,593</u>	<u>687,713</u>	<u>3,311,306</u>
Excess (deficiency) of receipts over disbursements	<u>363,041</u>	<u>334</u>	<u>363,375</u>
Cash and investments - ending	<u>\$ 3,745,264</u>	<u>\$ 177,123</u>	<u>\$ 3,922,387</u>

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TRI-COUNTY CONSERVANCY DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater Utility	\$ 117,884	\$ 626,373
Water Utility	14,132	14,150
Totals	\$ 132,016	\$ 640,523

TRI-COUNTY CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2015

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater Utility: Revenue bonds	Bonds Payable Series 2010	\$ 9,465,000	\$ 846,751
Totals		<u>\$ 9,465,000</u>	<u>\$ 846,751</u>

TRI-COUNTY CONSERVANCY DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2015

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Wastewater Utility:	
Land	\$ 1,171,118
Infrastructure	11,712,442
Buildings	281,263
Improvements other than buildings	177,836
Machinery, equipment, and vehicles	110,539
Books and other	1,183,677
Total Wastewater Utility	14,636,875
Water Utility:	
Infrastructure	779,517
Machinery, equipment, and vehicles	3,324
Books and other	105,987
Total Water Utility	888,828
Total capital assets	\$ 15,525,703

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/>.