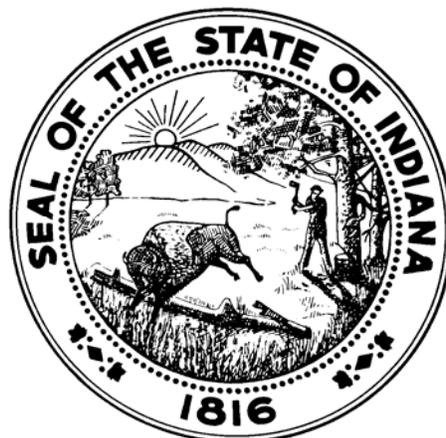


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
NINEVEH CONSERVANCY DISTRICT  
JOHNSON COUNTY, INDIANA  
January 1, 1997 to December 31, 2005



**FILED**  
04/10/2007



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OFFICIALS

Office

Official

Term

President of the Board

Brenda Collins  
Wayne Bensheimer  
Brenda Collins  
Wayne Bensheimer  
Robert Wilson  
Wayne Bensheimer  
Brenda Collins

01-01-97 to 12-31-99  
01-01-00 to 12-31-00  
01-01-01 to 12-31-01  
01-01-02 to 12-31-03  
01-01-04 to 12-31-04  
01-01-05 to 12-31-05  
01-01-06 to 12-31-06



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NINEVEH CONSERVANCY DISTRICT, JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of the Nineveh Conservancy District (District), for the period of January 1, 1997 to December 31, 2005. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

No financial transactions are reflected in this report for the years ended December 31, 1997, 1998, and 1999, because records were not available for examination. Consequently, an Examination Results and Comments is included with this report.

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, 2000, 2001, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

March 27, 2007

NINEVEH CONSERVANCY DISTRICT  
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
 PROPRIETARY FUND TYPE

As Of And For The Years Ended December 31, 2000, 2001, 2002, 2003, 2004, and 2005

	<u>Cash and Investments 01-01-00</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-00</u>
Proprietary Fund Type: General	\$ 32,905	\$ 111,860	\$ 86,699	\$ 58,066
	<u>Cash and Investments 01-01-01</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-01</u>
Proprietary Fund Type: General	<u>\$ 58,066</u>	<u>\$ 90,091</u>	<u>\$ 63,779</u>	<u>\$ 84,378</u>
	<u>Cash and Investments 01-01-02</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-02</u>
Proprietary Fund Type: General	<u>\$ 84,378</u>	<u>\$ 108,816</u>	<u>\$ 129,571</u>	<u>\$ 63,623</u>
	<u>Cash and Investments 01-01-03</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-03</u>
Proprietary Fund Type: General	<u>\$ 63,623</u>	<u>\$ 106,038</u>	<u>\$ 90,345</u>	<u>\$ 79,316</u>
	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Proprietary Fund Type: General	<u>\$ 79,316</u>	<u>\$ 131,476</u>	<u>\$ 79,558</u>	<u>\$ 131,234</u>
	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Proprietary Fund Type: General	<u>\$ 131,234</u>	<u>\$ 133,279</u>	<u>\$ 82,080</u>	<u>\$ 182,433</u>

The accompanying notes are an integral part of the schedules.

NINEVEH CONSERVANCY DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Nineveh Conservancy District was established by an Order entered by the Johnson Circuit Court in Cause Number 41CO19010MI384 on June 28, 1992, under provisions of Indiana Code 13-3-2-3. The District was formed to provide a sanitary sewer system for the residents of the unincorporated Town of Nineveh, Indiana.

Note 2. Fund Accounting

The District uses a general fund 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. Long-Term Debt

The District has issued revenue bonds for the collection, treatment, and disposal of sewage and liquid waste. The outstanding principal at December 31, 2005, was \$70,000.

NINEVEH CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Director, Wayne Bensheimer  
Director, Brenda J. Collins  
Director, Robert Wilson

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. . . ."

DEPOSITS

Receipts were deposited later than the next business day. The funds were deposited from 8 to 31 days after receipts of funds.

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 several local boards of finance that have jurisdiction of the funds. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ADVANCE PAYMENTS

The date of transaction indicates that a payment to Beverly Bensheimer for services as Board Secretary for the year 2005 was made prior to the receipt of services. The payment in the amount of \$600 was made on January 25, 2005.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-6)

ORDINANCES AND RESOLUTIONS

The Nineveh Conservancy District failed to amend Ordinance 97-1 to reflect the rate structure currently in use. The current rate structure reflects a reduction in the minimum monthly charge. Furthermore, the recalculation of customer utility bills disclosed that the amounts charged were not consistent with the approved rates.

In addition, the Nineveh Conservancy District failed to, in accordance with the bond issuance, meet the requirement to set aside and pay into its Sewage Works Sinking Fund a sufficient amount of the Net Revenues of said works to meet: (a) the interest on all bonds which, by its terms, are payable from the revenues of said sewage works, as such interest shall fall due, (b) the necessary fiscal agency charges for paying the bonds and interest, (c) the principal of all bonds which, by its terms, are payable from the revenues of said sewage works, as such principal shall fall due, and (d) an additional amount to create and maintain the reserve required by the Ordinance.

NINEVEH CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 14-33-5-21 states in part:

"(a) If the board issues revenue bonds for the collection, treatment, and disposal of sewage and liquid waste, the board may do the following:

- (1) Establish just and equitable rates and charges and use the same basis for the rates as provided in IC 36-9-23-25 through IC 36-9-23-29."

Indiana Code 36-9-23-25 states:

"The municipal legislative body shall, by ordinance, establish just and equitable fees for the services rendered by the sewage works, and provide the dates on which the fees are due."

Indiana Code 36-9-23-26 states in part:

"After the hearing, the municipal legislative body shall adopt the ordinance establishing the fees, either as originally introduced or as modified. A copy of the schedule of fees adopted shall be kept on file and available for public inspection in the offices of the board and the municipal clerk

...

- (d) The municipal legislative body may change or readjust the fees in the same manner by which they were established.
- (e) Fees collected under this chapter are considered revenues of the sewage works."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-12)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the General Fund. There were a considerable number of posting errors. These errors include numerous voids without memorandums, checks and receipts not recorded in the proper amounts, interest not posted, bank service charges not posted, transfers between bank accounts not clearly described, and double postings of transactions.

The condition of the records presented required an inordinate amount of time to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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, Page 10-8)

PRESCRIBED FORMS

The following prescribed or approved form was not always in use: General Form 369 -General Fixed Asset Account Group.

NINEVEH CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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 District, Page 16-22).

CAPITAL ASSETS

Information presented for audit did not indicate an inventory or record of fixed assets using Form 369 - General Fixed Asset Account Group.

Every governmental unit should have a complete inventory of all fixed assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. 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, Page 16-22)

PUBLIC RECORDS RETENTION

Records for years 1997, 1998, and 1999, were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 12-5)

DISTRICT BOARD MEMBERS EXCESS COMPENSATION

Board members were paid \$50 per run or call out on district business, on some days more than one call-out occurred.

Members are entitled to only \$50 per day that they conduct district business. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 1-1)

NINEVEH CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2007, with Larry T. Lopshire, CPA, Financial Advisor. The official response has been made a part of this report and may be found on pages 10 and 11.

# NINEVEH CONSERVANCY DISTRICT

C/O 1846 US 31 South  
GREENWOOD, INDIANA 46143  
317-888-3611

27 March 2007

State Board of Accounts  
302 West Washington Street, Room E418  
Indianapolis, Indiana 46204

RE: Nineveh Conservancy District Audit 1997-2005

Dear Sirs;

This is in response to the allegations found in the report dated this date. The specific areas are as follows:

**Ordinances and Resolutions:** The auditor stated that in order for a rate change to take place there had to be a change to the rate ordinance. While this is true of the change in rates to be raised, the code does not require a change to lower rates unless the District deems it to be permanent. If this change is at the discretion of the District, then there need NOT be a change to the ordinance, but only the reflection of the action in the minutes of the District. This action was duly presented, approved and recorded in the minutes of the District. The auditor admitted that he had noted the meeting minute approval. This alleged discrepancy must be eliminated.

**Condition of the Records:** The auditor alleged that there were numerous posting errors, unaccounted voids of checks, and failure to record interest income and bank charges. A complete review of the check register activity for the period of 1 Jan 2003 thru 31 December 2005 does not find any such activity as it relates to the checks and expenditures of the District. All checks are fully accounted for in the accounting system. While a minimal number were voided and reissued in the accounting system, the actual checks were all accounted for 100%.

Additionally, it is the policy of the District to record interest and bank charges in the month that the information was received. This may cause the year end amounts to be posted in January, but to allege that they were not posted into the accounting system is completely in error.

The District maintained only two bank accounts for the entire period of the audit and one certificate of deposit at the latter year of the audit. All checks transferring monies from checking to saving were clearly written to the other bank and coded appropriately for the records that are still retrievable. The records presented were completed general ledgers, trial balances, bank statements, and billing information. The District personnel were asked to do much of the auditors work in developing cash flow statements, and analysis; clarifying what I would have thought were obvious information that was not difficult to comprehend. We were able to provide information to the auditor early on in the process that our cash accountability was correct and true. This could have been easily determined by an almost

cursory review of the general ledger. Admittedly, we did have one double posting, but that was readily identified again early on in the process.

Any inordinate time required by the auditors was most likely due to the volume of information that they had to review since the State Board of Accounts had to be called to come and get the information on two separate occasions and stretched over a period of 9 years. If we had not initiated the move to have the records delivered to the auditors, we would still be waiting on the audit to be completed. The volume of record filled the bed of a pickup truck from the bed floor to the top of the bed sides. Bank reconciliations were provided and each months balance was reconciled without exception.

**Prescribed Forms:** The auditor was concerned that we did not use the exact form for recording the equipment and capital assets of the District. We must remember that this is a small sewer district and that the assets are minimal in number. Most of the assets consist of sewer pipes and a pump station. The District prepared a chart that illustrated the assets and a description, their cost, the expected life cycle, and subtotaled these assets by type of asset – sewer lines. Additionally, we added the annual depreciation or amortization of the asset as appropriate. At this point we have had no disposal of equipment so that information is not pertinent. In the event that such does occur, that information will be provided. This schedule certainly satisfies the needs of the asset schedule required and further provides the accounting information needed for financial statement purposes.

**District Board Member Excess Compensation:** It has always been the policy of the Board to pay each member of the Board \$50 per day that they were involved in any District business. To the best of my knowledge this has been complied with throughout the District's existence. There was an allegation that the Board Members were over paid, but there were no specifics as to how this was determined or when the situation occurred. I am most highly suspect of this allegation and know that Board members were in fact under paid in many situations. So, until and if it can be established beyond a reasonable doubt, it is the position of the Board that the compensation of the Board members was consistent with the \$50.00 per day limit.

This rebuttal is made in compliance with Option #4 of the Exit conference format.

Sincerely,



Larry T. Lopshire, CPA, CFE  
Financial Advisor