

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

EXAMINATION REPORT
OF
NEW LONDON CONSERVANCY DISTRICT
HOWARD COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/29/2007

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OFFICIALS

Office

Official

Term

Financial Clerk

Judith K. Johnson

01-01-05 to 12-31-07

President of the Board

Stephen Johnson

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 THE NEW LONDON CONSERVANCY DISTRICT, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of the New London 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 11, 2007

NEW LONDON CONSERVANCY DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 GOVERNMENTAL FUND TYPES
 As Of And For The Years Ended December 31, 2005 And 2006

	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Governmental Fund: Operating	\$ <u>43,546</u>	\$ <u>60,430</u>	\$ <u>41,286</u>	\$ <u>62,690</u>
	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund: Operating	\$ <u>62,690</u>	\$ <u>51,046</u>	\$ <u>64,686</u>	\$ <u>49,050</u>

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

NEW LONDON CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater removal 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. Revenue Bonds Refunded

On January 25, 2005, the 1995 Sewage Works Revenue Bonds were refunded by the Indiana Bond Bank. The Bond Bank was obligated to share a portion of the interest savings with the Conservancy District. This interest savings amounted to \$14,013.06. The District received a check for this amount on January 25, 2005. The debt service schedule for the Sewage Works Refunding Revenue Bonds of 2005 will remain unchanged from the original 1995 Issue.

Note 5. Howard County Loan

During 2004, the New London Conservancy District received a \$35,000 loan from Howard County. This loan was to be repaid over 15 years, with no interest. The purpose of the loan was for the matching share of a federal grant that was being applied for. However, the District did not receive the grant. The District has made one payment, in June of 2005, towards the loan balance.

Note 6. Subsequent Events

The Conservancy District has signed an Interim Interlocal Cooperative Agreement with the Town of Russiaville. The agreement states that the Town of Russiaville will manage the operation of the Sewage Works, including all maintenance, labor and supplies necessary for such operation and the management of all billing and accounting functions related to the Sewage Works, until a plan is finalized whereby Russiaville would acquire the ownership and all aspects of the operation of the Sewage Works. This acquisition plan involves the dissolution of the New London Conservancy District. As of the issuance of this examination report, a completion date for the acquisition plan could not be determined.

NEW LONDON CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2006

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Land	\$ 5,000
Buildings	3,605
Improvements other than buildings	850,401
Machinery and equipment	<u>259</u>
Total Wastewater Utility capital assets	<u>\$ 859,265</u>

NEW LONDON CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Wastewater Utility		
Loans Payable:		
Loan from Howard County	\$ 32,667	\$ 4,666
Revenue bonds:		
Sewage Works Refunding Revenue Bonds of 2005	<u>193,000</u>	<u>-</u>
Total Wastewater Utility	<u>\$ 225,667</u>	<u>\$ 4,666</u>

NEW LONDON CONSERVANCY DISTRICT EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS AND MISSING BANK STATEMENTS

Depository reconciliations of the fund balances to the bank account balances were not presented for the examination. Also, the bank statements for April 2005 through October 2005 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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository.

ANNUAL REPORT

Annual reports for 2005 and 2006 were not presented for examination.

"The district shall prepare and file an annual financial report, required under Indiana Code 5-11-1-4, with the State Board of Accounts. All other districts are required to file not later than 30 days after the close of the fiscal year." (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

PRESCRIBED FORMS

The District utilized a computer based system to generate the General Ledger and other financial reports. The forms generated by this system have not been approved for use in lieu of prescribed forms.

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 10)

TIMELY RECORDKEEPING

The District has not maintained a Simplified Cash Journal, or any general ledger, for 2007.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

NEW LONDON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

BOARD MINUTES

Minutes of meetings of the governing body were not available for examination for February 2006 through August 2006 and October 2006 through August 2007.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under Indiana Code 5-1.5-2-2.5 or Indiana Code 20-12-63-7."

OFFICIAL BOND

The New London Conservancy District Financial Clerk, Judith Johnson, was not bonded during the examination period, nor in the current year.

A financial clerk shall execute a surety bond in the manner prescribed by Indiana Code 5-4-1. [IC 14-33-5-18(b)]

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. . . ."

REVENUE BOND ORDINANCE

The New London Conservancy District has an ordinance concerning the Sewage Works Revenue Bonds of 1995. This ordinance requires monthly transfers to the Bond and Interest Fund to meet bond payments. However, the District has not established a Bond and Interest Fund.

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

CONFLICT OF INTEREST

As previously reported in Report B26948, Stephen Johnson, President of the Board; and Judith K. Johnson, Financial Clerk; are husband and wife. An Annual Uniform Conflict of Interest Disclosure Statement has not ever been filed.

NEW LONDON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

NEW LONDON CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2007, with Stephen Johnson, President of the Board; Judith K. Johnson, Financial Clerk; and Linda Downey, Russiaville Clerk-Treasurer.