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

EXAMINATION REPORT
OF
LAKE BRUCE CONSERVANCY DISTRICT
FULTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/16/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Richard J. Tompos	01-01-08 to 12-31-10
Chairman of the Board	Norman Steigely Gerald Porter	01-01-08 to 12-31-08 01-01-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE BRUCE CONSERVANCY DISTRICT, FULTON COUNTY, INDIANA

We have examined the financial information presented herein of the Lake Bruce Conservancy District (District), for the period of January 1, 2008 to December 31, 2009. 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 present fairly, in all material respects, the financial information of the District for the years ended December 31, 2008 and 2009, 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

August 31, 2010

BRUCE LAKE CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 26,903	\$ 67,058	\$ 75,774	\$ 18,187
Build Indiana	35,975	12,592	13,415	35,152
Construction	2	3,962,079	3,962,079	2
Proprietary Funds:				
Wastewater Operating	-	138,457	89,433	49,024
Wastewater Bond & Interest	-	73,233	4,245	68,988
Totals	<u>\$ 62,880</u>	<u>\$ 4,253,419</u>	<u>\$ 4,144,946</u>	<u>\$ 171,353</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 18,187	\$ 166,938	\$ 180,341	\$ 4,784
Build Indiana	35,152	74,335	77,125	32,362
Construction	2	412,747	412,747	2
Proprietary Funds:				
Wastewater Operating	49,024	255,982	251,598	53,408
Wastewater Bond & Interest	68,988	129,143	130,338	67,793
Totals	<u>\$ 171,353</u>	<u>\$ 1,039,145</u>	<u>\$ 1,052,149</u>	<u>\$ 158,349</u>

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

LAKE BRUCE CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: public safety, health and social services, culture and recreation, and general administrative 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 or highway use taxes are received 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.

BRUCE LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Conservancy District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Revenue bonds:		
Wastewater Plant Construction	\$ 2,024,000	\$ 53,745

LAKE BRUCE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An Annual Report for 2008 and 2009 was not presented for examination.

The District shall prepare and file an annual financial report, required under IC 5-11-1-4, with the State Board of Accounts not later than 30 days after the close of the fiscal year.

PRESCRIBED FORMS

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

Form 323 Simplified Cash Journal
Form 352 Receipt
Form 369 Capital Asset Ledger
Form 101 Mileage Form
Form 353 Check (other than payroll)
Form 354 Claim (General Expense)

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)

CAPITAL ASSETS RECORDS

Information presented for examination did not indicate an inventory or record of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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, Chapter 10)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

LAKE BRUCE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

FAILURE TO SUBMIT RECORDS FOR EXAMINATION

Financial records presented for examination were incomplete and not reflective of the activity of the Wastewater Utility billings and collections. The records presented did not provide sufficient detail to examine or establish the accuracy of amounts billed or collected. Furthermore, budget appropriations and budgets were not submitted for examination.

Examination costs or other costs incurred because of poor records, nonexistent records or other inadequate bookkeeping practices may be the personal obligation of the responsible official or employee of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE BRUCE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2010, with Richard J. Tompos, Treasurer. The official concurred with our findings.