

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

EXAMINATION REPORT
OF
ELK CREEK CONSERVANCY DISTRICT
WASHINGTON COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
12/14/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Holly J. Richardson Aaron Smith	01-01-07 to 06-02-09 06-03-09 to 12-31-10
President of the Board	James Lawson Kevin Baird	01-01-07 to 06-02-09 06-03-09 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ELK CREEK CONSERVANCY
DISTRICT, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Elk Creek Conservancy District (District), for the period of January 1, 2007 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 presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 16, 2010

ELK CREEK CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 11,053	\$ 160	\$ 6,123	\$ 5,090
Cumulative Maintenance	<u>(1,456)</u>	<u>53</u>	<u>-</u>	<u>(1,403)</u>
Totals	<u>\$ 9,597</u>	<u>\$ 213</u>	<u>\$ 6,123</u>	<u>\$ 3,687</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 5,090	\$ -	\$ 638	\$ 4,452
Cumulative Maintenance	<u>(1,403)</u>	<u>-</u>	<u>-</u>	<u>(1,403)</u>
Totals	<u>\$ 3,687</u>	<u>\$ -</u>	<u>\$ 638</u>	<u>\$ 3,049</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 4,452	\$ -	\$ 400	\$ 4,052
Cumulative Maintenance	<u>(1,403)</u>	<u>-</u>	<u>-</u>	<u>(1,403)</u>
Totals	<u>\$ 3,049</u>	<u>\$ -</u>	<u>\$ 400</u>	<u>\$ 2,649</u>

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

ELK CREEK 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: water conservation 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 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.

ELK CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping of the District's financial records were noted during the period of examination:

Annual Financial Reports

The Annual Financial Reports (SDAR) for the years 2007, 2008, and 2009, were not presented for examination.

IC 5-11-1-4 states:

"The State examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

Transaction Recording

Financial records presented for examination were incomplete and not reflective of the activity of the individual funds. The posting errors noted in the previous examination had not been corrected. A ledger of receipts, disbursements, and balances was not maintained for the year 2008. To determine beginning balances of each fund as of January 1, 2009, the District divided the bank balance of \$3,048 on December 31, 2008, evenly between the General Fund and Cumulative Maintenance Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

Deposits

A warrant from the Washington County Treasurer dated January 16, 2008, was not deposited into the bank account of the District until August 6, 2010. Also, another warrant from the Washington County Treasurer dated September 21, 2009, has yet to be deposited into the District's bank account.

IC 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 . . . local boards of finance. . . ."

ELK CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Bank Account Reconciliations

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

IC 5-13-6-1(e) states:

"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."

Overdrawn Cash Balances

The cash balance of the Cumulative Maintenance Fund was overdrawn \$1,403 at December 31, 2007, 2008, and 2009, respectively.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

APPROPRIATIONS

The District did not have legally adopted budgets for the years 2007, 2008 and 2009. Therefore, all disbursements during these years from District funds that required budgets were made in excess of budgeted appropriations. Disbursements of District funds made in excess of appropriations are as follows:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2007	\$ 6,123
General	2008	638
General	2009	400

IC 6-1.1-18-4 states in part:

". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

ELK CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) All claims did not have board approval.
- (4) Claims or invoices did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6(c) states:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim; (2) the invoice or bill is approved by the officer or person receiving the goods and services; (3) the invoice or bill is filed with the governmental entity's fiscal officer; (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

BOARD MINUTES

Minutes of meetings of the Board of Directors were not available for examination from January 1, 2007 through June 2, 2009. Also, information was not presented for examination related to the annual meeting of the board of finance or the election of officers to the board of finance.

IC 5-14-1.5-4(b) states in part:

"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 taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

ELK CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-13-7-6(a) states in part:

"Each local board of finance shall meet annually after the first Monday and on or before the last day of January. At the annual meeting the board of finance shall . . . Elect, from the board's membership . . . a president; and a secretary. . . . The officers elected hold office until the officers' successors are elected and qualified."

ELK CREEK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2010, with John Mead, Attorney, and Earlene Brown, Office Manager of Mead, Mead, & Clark P.C. The officials concurred with our findings.