

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, 2008 to December 31, 2009



FILED
01/05/2011

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OFFICIALS

Office

Official

Term

President of the Board

Robert Wilson

01-01-08 to 12-31-10



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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, 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 presents 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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

November 16, 2010

NINEVEH CONSERVANCY DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL 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
Proprietary Fund: General	<u>\$ 157,625</u>	<u>\$ 129,940</u>	<u>\$ 115,752</u>	<u>\$ 171,813</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Fund: General	<u>\$ 171,813</u>	<u>\$ 108,121</u>	<u>\$ 99,799</u>	<u>\$ 180,135</u>

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

NINEVEH 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 treatment 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.

NINEVEH CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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:	
Capital assets, not being depreciated:	
Improvements other than buildings	\$ 242,792
Machinery and equipment	<u>541,624</u>
Total Wastewater Utility capital assets	<u><u>\$ 784,416</u></u>

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

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Interest Due Within One Year
Business-type activities:		
Conservancy District:		
State revolving fund loan:		
Wastewater system	\$ 37,000	\$ 14,265

NINEVEH CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

OPTICAL IMAGES OF CHECKS

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 beginning in 2009.

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)."

PUBLIC RECORDS RETENTION

The general ledger for 2008 was not presented for examination. Cash transactions reported were from check register and activity that went through the bank accounts.

Monthly account receivable and billing records for the period January 2008 through June 2009 were not presented for examination.

The February 2009 claims were not presented for examination.

IC 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, Chapter 10)

NINEVEH CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DISTRICT BOARD MEMBERS SUPPORTING DOCUMENTATION

Several payments for board member reimbursement were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. In addition, the board members did not always indicate the work performed. Due to the lack of supporting information, the validity and accountability for some money disbursed for board member reimbursement could not be established.

IC 14-33-5-16 states:

"As compensation the directors are entitled to an amount that the court orders, but not to exceed: (1) one hundred dollars (\$100) for not more than two (2) regular or specially called board meetings per month; and (2) fifty dollars (\$50) for not more than five (5) days per month devoted to the work of the district in addition to any day for which payment is received under subdivision (1).

In addition, the directors shall be reimbursed for actual expenses, including traveling expense at a rate equal to the rate paid to state officers and employees. Claims for expense reimbursement must be accompanied by an itemized written statement approved by a recorded motion of the board."

ADVANCE PAYMENTS

The dates of transactions indicate that payments to Beverly Bensheimer for services as Board Secretary for the years 2008 and 2009 were made prior to the performance of services. The payments in the amount of \$600.00 were made on January 28, 2008 and January 28, 2009, for the years 2008 and 2009, respectively.

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, Chapter 10)

DEPOSITS NOT MADE TIMELY

As stated in the prior Report B34050, we noted instances where receipts were deposited later than the next business day. Of the 63 customer deposits tested during the period examined, the majority of the deposits were not deposited with the bank within the next business day. Some deposits were made over 80 days after the receipt of funds.

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. . . ."

NINEVEH CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2010, with C. Allen Anderson, District Accountant. The official response has been made a part of this report and may be found on pages 11 and 12.

Nineveh Conservancy District
Johnson County
Nineveh, Indiana

November 18, 2010

OFFICIAL RESPONSE

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, IN 46204-2765

This correspondence represents the official response to the "examination results and comments" for the Nineveh Conservancy District, Johnson County.

The items will be addressed under the categories shown in the "examination results and comments."

Public Records Retention

It was noted that for some months the billing stubs were not available for examination.

During 2009, the District made a change in accounting firms and in the billing process. The previous firm doing the billing was unable to locate one of the month's billing stubs. The current billing process is now being handled by the Town of Prince's Lakes (the utility) that also does the billing for water service. The new billing is for both water and sewer and heretofore the utility has been retaining the billing stubs. The District has requested the billing stub (or a copy of the billing stub) for all 2010 billings and for all future billings. The utility handling the billings has agreed to provide this information.

It was also noted that the February 2009 claims were not available for examination.

As was mentioned earlier, the District changed accounting firms in 2009 and when records were transferred to the new accounting firm, that month's claims were noted as missing from the items transferred. The previous accounting firm was unable to locate the missing claims. This was an isolated case and will not be a recurring item.

District Board Members Supporting Documentation

It was noted that on some occasions, board members were reimbursed for expenditures which did not appear to be adequately supported with appropriate documentation.

The noted incidences appeared to occur prior to the change in accounting firms and every effort is now being made to obtain proper supporting documentation prior to reimbursement for any such expenditures.

Advance Payments

It was noted that the board secretary was paid in advance for her secretarial duties.

The instances related to the advance payments occurred prior to the change in accounting firms. The new accounting firm had already notified the board secretary that this was not permitted. The secretary was not prepaid in 2010 nor will the board secretary be prepaid in any future periods.

Deposits Not Timely Made

It was noted that on several occasions that deposits were not made on a timely basis.

The new accounting firm has worked diligently with the Town of Prince's Lakes water utility who is contractually obligated to handle the billing receipts for the District and these deposits are now being made on a timely basis by the utility.

We appreciate the professional manner in which the State Board of Accounts conducted the examination and we respectfully request this "official response" be included with our report.

Respectfully submitted,



Rob Wilson, Board President

11-19-10

Date