

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

EXAMINATION REPORT
OF
NEW ALBANY FLOOD CONTROL DISTRICT
FLOYD COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
04/12/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Secretary	John H. Wilcox	01-01-08 to 02-29-08
	Kelly J. Welsh	03-01-08 to 12-31-11
Treasurer	Darlene McCoy	01-01-08 to 12-31-08
	Linda L. Berger	01-01-09 to 12-31-12
President of the Board	Matthew B. Denison	01-01-08 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NEW ALBANY FLOOD
CONTROL DISTRICT, FLOYD COUNTY, INDIANA

We have examined the financial information presented herein of the New Albany Flood Control 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.

Except as discussed in the following paragraph, 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.

We were unable to verify the District's receipts and disbursements by fund for 2008 and 2009, since the District did not maintain an accurate funds ledger detailing receipts, disbursements, and balances. In addition, the District did not produce monthly bank reconciliations for the examination period or prepare Annual Financial Reports for the years 2008 and 2009.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to verify the receipt and disbursement activity by fund, monthly bank reconciliations, and the Annual Financial Reports for the years 2008 and 2009, 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.

STATE BOARD OF ACCOUNTS

March 9, 2011

NEW ALBANY FLOOD CONTROL DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	<u>Cash and Investments 01-01-08</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-08</u>
Governmental Funds:				
General	\$ 1,177,324	\$ 937,794	\$ 458,666	\$ 1,656,452
Emergency Flood Control District	<u>100,474</u>	<u>-</u>	<u>-</u>	<u>100,474</u>
Totals	<u>\$ 1,277,798</u>	<u>\$ 937,794</u>	<u>\$ 458,666</u>	<u>\$ 1,756,926</u>
	<u>Cash and Investments 01-01-09</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-09</u>
Governmental Funds:				
General	\$ 1,656,452	\$ 1,083,660	\$ 1,023,109	\$ 1,717,003
Emergency Flood Control District	<u>100,474</u>	<u>-</u>	<u>-</u>	<u>100,474</u>
Totals	<u>\$ 1,756,926</u>	<u>\$ 1,083,660</u>	<u>\$ 1,023,109</u>	<u>\$ 1,817,477</u>

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

NEW ALBANY FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board and provides flood control and drainage 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.

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.

NEW ALBANY FLOOD CONTROL DISTRICT
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, were present during our period of examination:

1. The Ledger of Receipts, Disbursements and Balances was not properly maintained. The County Treasurer performed monthly reconcilements consisting of preparing an outstanding checklist and deducting the amount of all outstanding checks from the end of month depository balances to determine the District's record balance. Discrepancies between the reconciled amount and the records maintained by the Executive Secretary were not investigated.

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."

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 Guidelines Manual for Special Districts, Chapter 10)

2. There were a considerable number of posting errors. The District earned \$19,022 in interest, received \$57,370 in reimbursements from the Department of Homeland Security, and had miscellaneous deposits of \$213 during the examination period which were not recorded. During the examination period disbursements in the amount of \$18,326 were not recorded. Other posting errors noted during the examination period included \$2,110,565 in receipts recorded as disbursements, \$80,902 of accounts payable recorded as deposits, warrant 2797 for \$610 was recorded as void, but cleared the bank on January 4, 2008, and two instances totaling \$958 were noted in which the warrants were voided but had not been voided in the records.

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)

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 IC 5-15-11 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

3. Payments were made to Delta Services, LLC in preparation of a BJ Thomas Concert in the amount of \$6,415. The invoices were billed to New Albany Riverfront and should have been paid by the City of New Albany. As of March 2, 2011, the City of New Albany had not reimbursed the District.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FINANCIAL REPORT OPINION MODIFICATIONS

The State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements due to the following deficiencies:

1. Funds Ledger was not properly maintained.
2. Numerous posting errors were uncorrected, since monthly reconcilements were not performed.
3. Annual Financial Reports were not prepared for 2008 and 2009.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ANNUAL FINANCIAL REPORTS

An annual report for the years 2008 and 2009 was 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. These reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision.

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Payments in the amount of \$454,553 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. A significant portion of this amount was for the remittance of payroll taxes, insurance, PERF and utilities, but there were also numerous payments to other vendors and no supporting documentation could be located.

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."

DEPOSITS

Several instances were noted where receipts were deposited later than the next business day. These instances ranged from 5 to 35 days.

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. . . ."

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

Due to the budgets not being properly advertised/adopted by the District for the years 2008 and 2009, the Department of Local Government Finance did not approve their budget. The District did not seek additional appropriations during the examination period; therefore, all disbursements were made without budgeted appropriations. The following expenditures were in excess of budgeted appropriations.

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2008	\$ 458,666
General	2009	1,023,209

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."

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

- General Form 358 - Ledger of Receipts, Disbursements and Balances
- General Form 359 - Ledger of Appropriations, Encumbrances
Disbursements and Balances
- General Form 352 - General Receipt

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)

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases amounts payable to vendors and other suppliers of goods and services are not being paid until several months after the invoice dates. Minimal amounts of late fees were paid on utilities.

Penalties and interest totaling \$2,753 were paid to the Indiana Department of Revenue in 2010 due to not remitting tax withholdings timely in 2009. The second, third, and fourth quarter federal withholdings withheld during the year 2008 were remitted on December 31, 2008. The amounts of penalties and interest paid could not be determined for that time period.

Several instances were also noted in which past due notices were received from Public Employees Retirement Fund (PERF) for quarterly payments that had not been received by the required due date.

NEW ALBANY FLOOD CONTROL DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The District did not comply with directives of the Indiana Department of Revenue, Internal Revenue Service, and Public Employees Retirement Fund (PERF) by not submitting taxes and retirement funding in a timely manner. The Executive Secretary was not remitting federal and state taxes until she would receive a delinquent notice from the respective agencies. After each quarter, the Executive Secretary was receiving a past due notice before submitting the retirement funding to PERF.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CAPITAL ASSET RECORDS

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

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 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)

NEW ALBANY FLOOD CONTROL DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 9, 2011, with Kelly J. Welsh, Executive Secretary, and Kathlyn M, Garry, Board member.