

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

EXAMINATION REPORT
OF
BLOCKSOM & JENCKES CONSERVANCY DISTRICT
VIGO 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>
Financial Clerk	Dorothea M. Dunlap	01-01-08 to 12-31-11
President of the Board	Randall J. Welsh	01-01-08 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BLOCKSOM & JENCKES
CONSERVANCY DISTRICT, VIGO COUNTY, INDIANA

We have examined the financial information presented herein of the Blocksom & Jenckes 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.

STATE BOARD OF ACCOUNTS

January 26, 2011

BLOCKSOM AND JENCKES CONSERVANCY 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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
General	<u>\$ 1,142</u>	<u>\$ 37,320</u>	<u>\$ 36,519</u>	<u>\$ 1,943</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	<u>\$ 1,943</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 2,043</u>

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

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides flood control for the members of the District.

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.

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.

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 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."

INTERNAL CONTROLS

The controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. Randall J. Welsh, President of the Board controls all activities of the District with little oversight by other members. He did not provide adequate records to support the District's transactions.

1. Receipts

The Board President decides who is responsible for contributing to the District and how much they should contribute. There was no schedule explaining how benefit charges are made. There weren't any receipts to document who had made payments or if all members paid their rightful share of the expenses.

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

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

2. Disbursements

Vendors provided services without contracts being drawn. The Board President decides what work needs to be done and who is going to do it. He has the checkbook and writes the checks. Only two of the eleven expenditures made during this examination period were supported by invoices.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-10-1.6(a) states in part:

"As used in this section, 'governmental entity' refers to any of the following: . . .

- (8) A conservancy district. . . ."

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."

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

3. Conflict of Interest

Payments were made to related parties without a Conflict of Interest Statement being placed on file. Check 128 was written on September 15, 2008, to Welsh Farms for \$4,734.56. Randall J. Welsh, President of the Board, owns Welsh Farms.

IC 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).

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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."

4. Annual Meeting; Board Meetings

No one supervises the fiscal activities of the District. Meetings are not held and minutes are not recorded.

IC 14-33-2-27(a) states:

"If the court orders a district established, the court shall in the order establishing the district determine the following:

- (1) The number of directors to serve on the board and the procedures for the election of the directors.
- (2) The division of the district into areas.
- (3) The time of the annual meeting of the district, which must be before March 1 each year."

IC 14-33-5-4(a) states:

"The annual meeting of the district must be held at the time designated by the court:

- (1) at the district's office; or
- (2) at a place in or near the district as determined by resolution of the board adopted before December 1 of the year."

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 14-33-5-13 states

"The board shall by resolution fix the time for holding regular meetings, but the board shall meet at least quarterly each year."

IC 5-14-1.5-3(a) states in part:

". . . all meetings of the governing bodies of public agencies must be open at all times for the purpose of permitting members of the public to observe and record them."

IC 5-14-1.5-2 states in part:

"For the purposes of this chapter:

"(a) 'Public agency' . . . means the following:

- (1) Any board, commission, department, agency, authority, or other entity, by whatever name designated, exercising a portion of the executive, administrative, or legislative power of the state.
- (2) Any county, township, school corporation, city, town, political subdivision, or other entity, by whatever name designated, exercising in a limited geographical area the executive, administrative, or legislative power of the state or a delegated local governmental power.
- (3) Any entity which is subject to either:
 - (A) budget review by either the department of local government finance or the governing body of a county, city, town, township, or school corporation; or
 - (B) audit by the state board of accounts that is required by statute, rule, or regulation."

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapters 10)

OFFICIAL BOND

The official bond of Dorothea M. Dunlap, Financial Clerk, was not filed in the office of the County Recorder. A similar comment was made in prior examinations.

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision who is required under section 18 of this chapter to file an official bond for the faithful performance of duty, except the county recorder and deputies, and employees of the recorder, shall file the bond in the office of the county recorder. . . ."

BLOCKSOM & JENCKES CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 26, 2011, with Randall J. Welsh, President of the Board. The official concurred with our findings.