

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

EXAMINATION REPORT
OF
NORTHEAST LAKE CONSERVANCY DISTRICT
JOHNSON COUNTY, INDIANA
February 12, 2002 to December 31, 2007



FILED
10/20/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Beverly Watkins	01-01-02 to 12-31-04
	Terry Hedrick	01-01-05 to 09-30-10
	Deborah A. Shutta	10-01-10 to 12-31-11
President of the Board	Lynn Simms	01-01-02 to 12-31-07
	Nick Simms	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 NORTHEAST LAKE CONSERVANCY DISTRICT,
JOHNSON COUNTY, INDIANA

We have examined the financial information presented herein of Northeast Lake Conservancy District (District), for the period of February 12, 2002 to December 31, 2007. 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, 2003, 2004, 2005, 2006, and 2007, 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

April 7, 2010

NORTHEAST LAKE CONSERVANCY DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 2003, 2004, 2005, 2006, And 2007

	<u>Cash and Investments 01-01-03</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-03</u>
Governmental Funds:				
General	\$ -	\$ 1,174	\$ 206	\$ 968

	<u>Cash and Investments 01-01-04</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-04</u>
Governmental Funds:				
General	\$ 968	\$ 1,589	\$ 1,126	\$ 1,431
Capital Projects	-	49,128	49,126	2
Totals	<u>\$ 968</u>	<u>\$ 50,717</u>	<u>\$ 50,252</u>	<u>\$ 1,433</u>

	<u>Cash and Investments 01-01-05</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-05</u>
Governmental Funds:				
General	\$ 1,431	\$ 1,483	\$ 695	\$ 2,219
Capital Projects	2	111,678	93,437	18,243
Totals	<u>\$ 1,433</u>	<u>\$ 113,161</u>	<u>\$ 94,132</u>	<u>\$ 20,462</u>

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Funds:				
General	\$ 2,219	23,001	14,045	\$ 11,175
Capital Projects	18,243	49,369	67,612	-
Totals	<u>\$ 20,462</u>	<u>72,370</u>	<u>81,657</u>	<u>\$ 11,175</u>

	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Funds:				
General	\$ 11,175	30,848	35,136	\$ 6,887

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

NORTHEAST LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Northeast Lake Conservancy District was established by an order entered by the Johnson County, Circuit Court in cause number 41C01-0106-MI-208 on the 12th day of February, 2002 under provisions of Indiana Code 14-33-2-22. The District was formed for the statutory purposes of operation, maintenance and improvement of works of improvement, including, but not limited to, Northeast Lake and the Northeast Lake dam and other ancillary thereto, for private water based recreational purposes, improving drainage, developing private recreational facilities in connection with beneficial water management, and preventing the loss of topsoil from injurious water erosion.

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.

NORTHEAST LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Conservancy District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable	180,000	17,200
 Total governmental activities debt	 <u>\$ 180,000</u>	 <u>\$ 17,200</u>

NORTHEAST LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following officials were not bonded:

Financial Clerks, Terry Hedrick and Beverly Watkins

Indiana Code 14-33-5-18(b) states: "A financial clerk shall execute a surety bond in the manner prescribed by IC 5-4-1."

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate 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.

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)

APPROVAL OF CLAIMS

For the years 2003 through 2007, the minutes did not indicate approval of most of the Northeast Lake Conservancy District's disbursements by the Board of Directors.

Indiana Code 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."

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2007	<u>\$ 2,786</u>

NORTHEAST LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping that were cited:

1. Depository reconciliations of the fund balances to the bank account balances were not presented for examination.
2. There were a considerable number of posting errors. The errors included local tax distributions for years 2003 and 2004 not being entered in the records and interest not being posted.
3. Financial records presented for examination were incomplete and not reflective of the activity of the General Fund for the years 2003 through 2006. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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

Indiana Code 5-13-6-1(e) states in part: "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."

CASH DISBURSEMENTS

Disbursements in the amount \$1,006 and \$1,259.55 were made on March 29, 2004, and May 11, 2006, respectively, for cash from Huntington Bank. The \$1,259.55 transaction was in the form of a bank counter check that was endorsed by the then President of the Board, Lynn Simms, and was deposited into the District's new operating bank account at Heartland Community Bank on May 25, 2006. There was no supporting documentation for purchases made in the amount of \$1,006 nor was there any evidence of a deposit made in that amount. The bank document was not endorsed. Beverly Watkins was the Financial Clerk during the time of the disbursement's in question. Her whereabouts are unknown.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. 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)

NORTHEAST LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2010, with Terry Hedrick, former Financial Clerk.

NORTHEAST LAKE CONSERVANCY DISTRICT
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Beverly Watkins, former Financial Clerk: Cash Disbursements, page 8	<u>\$ 1,006</u>	<u>\$ -</u>	<u>\$ 1,006</u>

AFFIDAVIT

STATE OF INDIANA)
)
Johnson COUNTY)

I, Eugene West, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Northeast Lake Conservancy District, Johnson County, Indiana, for the period from February 12, 2002 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Eugene West
Field Examiner

Subscribed and sworn to before me this 20th day of September, 2011.

Rhonda Barrett
Notary Public

My Commission Expires: 9/24/2014

County of Residence: Johnson

