

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

SIMONTON LAKE CONSERVANCY DISTRICT

ELKHART COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
10/31/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Secretary	Linda Wilson	01-01-10 to 12-31-11
Chairman of the District Board	Robert Kelsey	01-01-10 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SIMONTON LAKE
CONSERVANCY DISTRICT, ELKHART COUNTY, INDIANA

We have examined the financial statement of the Simonton Lake Conservancy District (District), for the period of January 1, 2010 to December 31, 2010. The District's management is responsible for the financial statement. 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 statement and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management and the District's Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 15, 2011

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

SIMONTON LAKE CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	<u>\$ 283,991</u>	<u>\$ 523,543</u>	<u>\$ 342,987</u>	<u>\$ 464,547</u>

The notes to the financial statement are an integral part of this statement.

SIMONTON LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants and state grants.

Charges for services which can include, but are not limited to the following: copies of public records and fines and fees.

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

SIMONTON LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

SIMONTON LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Risk Management

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the District by recording as a disbursement and replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report of the District which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the District. It is presented as intended by the District.

SIMONTON LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Operating
Cash and investments - beginning	\$ 283,991
Receipts:	
Charges for services	379,598
Fines and forfeits	1,100
Other receipts	142,845
Total receipts	523,543
Disbursements:	
Personal services	50,309
Supplies	15,212
Other services and charges	64,655
Other disbursements	212,811
Total disbursements	342,987
Excess of receipts over disbursements	180,556
Cash and investments - ending	\$ 464,547

SIMONTON LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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>Ending Balance</u>
Other:	
Capital assets, not being depreciated:	
Buildings	\$ 227,440
Improvements other than buildings	2,627,978
Machinery and equipment	<u>49,849</u>
Total other capital assets	<u>\$ 2,905,267</u>

SIMONTON LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Bonds payable:		
Revenue bonds:		
1998 Revenue Bond	\$ 1,290,000	\$ 177,971

SIMONTON LAKE CONSERVANCY DISTRICT
EXAMINATION RESULT AND COMMENT

ANNUAL REPORT

The 2010 Annual Report submitted to the State Board of Accounts does not agree with the District's records.

The beginning and ending balances do not agree with the reconciled bank balances for December 31, 2009 and December 31, 2010, respectively. The Annual Report shows a beginning cash balance of \$290,592. The actual beginning balance is \$283,991, a difference of \$6,601. The Annual Report shows an ending balance of \$465,679, which is the amount shown on the bank statements as the ending balance as of December 31, 2010. The actual ending balance is \$464,547, a difference of \$1,132. The difference of \$1,132 is the amount of the outstanding checks shown on the bank reconciliation.

The receipts and disbursements include some of the transfers between bank accounts and improperly overstate the amount of money received and disbursed in 2010.

The amounts reported in the receipts section of the annual report for charges for services, fines and fees, interest earned, and refinanced bonds are materially correct. The District did cash a Certificate of Deposit in the amount of \$135,714, which is recorded as a transfer from one bank account to another bank account instead of a sale of investment. There should not be a negative transfer of funds in the amount of (\$30,130).

The amounts reported in the disbursements section of the annual report for personal services, supplies, and other services and charges are materially correct. The amount actually paid out for debt service was \$178,260, not \$277,404 as reported on the annual report. The amount paid for other disbursements was \$34,551, not \$45,939 as reported on the annual report.

Actual transfers between bank accounts in 2010 totaled \$624,924, and should not have been reported as receipts or disbursements.

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)

SIMONTON LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2011, with Linda Wilson, Financial Secretary, and Robert Kelsey, Chairman of the District Board. The officials concurred with our finding.