

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF

DELAWARE COUNTY SOIL AND WATER
CONSERVATION DISTRICT
DELAWARE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/28/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Debra Carpenter	01-01-10 to 12-31-12
Treasurer	Ronald Orenbaugh	01-01-10 to 12-31-12
President of the Board	Wayne Bothel	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF DELAWARE COUNTY SOIL AND WATER
CONSERVATION DISTRICT, DELAWARE COUNTY, INDIANA

We were engaged to examine the accompanying financial statements of Delaware County Soil and Water Conservation District (District), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the District's management.

The District did not properly maintain accounting records. The District's records do not permit the application of other examination procedures to ascertain if the financial statements are fairly stated.

Since the District did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statements are fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to any examination procedures and, accordingly, we express no opinion on them.

The District's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management, District Board, and others within the entity 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

October 31, 2012

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FINANCIAL STATEMENTS

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

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	<u>\$ 227,116</u>	<u>\$ 329,322</u>	<u>\$ 358,429</u>	<u>\$ 198,009</u>

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

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	<u>\$ 215,583</u>	<u>\$ 351,121</u>	<u>\$ 254,053</u>	<u>\$ 312,651</u>

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

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS

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.

The accompanying financial statements present the financial information for the District.

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 include 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, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, copies of public records, copy machine charges, recycling fees, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

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.

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

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

F. Interfund Transfers

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

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.

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; medical benefits to employees, retirees, and dependents; 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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements 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 approved by management of the District. It is presented as intended by the District.

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General
Cash and investments - beginning	\$ 227,116
Receipts:	
Intergovernmental	176,017
Charges for services	695
Other receipts	152,610
Total receipts	329,322
Disbursements:	
Personal services	12,757
Supplies	1,393
Other services and charges	328,138
Other disbursements	16,141
Total disbursements	358,429
Deficiency of receipts over disbursements	(29,107)
Cash and investments - ending	\$ 198,009

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund
Cash and investments - beginning	\$ 215,583
Receipts:	
Intergovernmental	110,926
Charges for services	3,500
Other receipts	236,695
Total receipts	351,121
Disbursements:	
Supplies	2,976
Other services and charges	193,071
Other disbursements	58,006
Total disbursements	254,053
Excess of receipts over disbursements	97,068
Cash and investments - ending	\$ 312,651

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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>
Governmental activities:	
Machinery, equipment and vehicles	\$ 1,500
Books and other	<u>200</u>
Total governmental activities	<u>1,700</u>
Total capital assets	<u>\$ 1,700</u>

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping that were cited in the prior report were again present during our period of examination:

1. Record balances were not reconciled to depository balances during the two year period.

Indiana Code 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."

2. There were a considerable number of posting errors. These errors included deposits not being receipted in the correct amounts, receipts and disbursements not being posted at the time of the transaction, as indicated by amount clearing the bank prior to being recorded in the records, and receipts not being deposited.

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)

DEPOSITS

Some receipts were written for amounts which could not be verified to bank deposits. A total of \$150 in receipts could not be traced to a bank deposit.

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

ANNUAL REPORT

The District's annual report and financial statements subsequently prepared from the annual report did not agree with the unit's records. The 2010 beginning balance did not agree with the 2009 ending balance. Receipts and disbursements were overstated by significant amounts, causing the 2010 ending balance to be overstated by \$2,020. The 2011 beginning balance did not match the unit's records and in addition, did not agree with the 2010 ending balance from the prior annual report. 2011 receipts were understated and the 2011 disbursements were overstated causing the 2011 ending balance to be understated by \$37,212. It was not clear from the records presented for examination whether the ledger balances or the adjusted bank balances are correct.

Indiana Code 5-11-1-4 states in part: "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."

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORT OPINION MODIFICATIONS

The amounts as reported on the annual reports for 2010 and 2011 could not be verified to the records. There were a number of posting errors that caused receipts and disbursements to be incorrect. The posting errors also caused the units records not to reconcile with the bank. As a result we were not able to give the District an unqualified opinion.

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)

CAPITAL ASSETS

Information presented for examination did not indicate an inventory or record of capital assets using Form 369.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable General Fixed Asset Account Group Form. 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 16)

SUPPORTING DOCUMENTATION

Supporting documentation for two payments did not agree with the amount actually paid. Another payment was made based upon a monthly statement rather than an invoice. 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 12)

DELAWARE COUNTY SOIL AND WATER CONSERVATION DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 31, 2012, with Ronald Orenbaugh, Treasurer, and Debra Carpenter, Director. The Official Response has been made a part of this report and may be found on page 18.

November 14, 2012

Mr. William Prybylla
State Board of Accounts

Re: Audit of Soil and Water Conservation District of Delaware County, Indiana

Dear Mr. Prybylla,

Last week Debra Carpenter and I met with you regarding the state of accounts for the Delaware County SWCD. I believe most of the Delaware County SWCD audit was fine. There were some questions you had that were answered in the exit interview, I hope to your satisfaction.

- Questions regarding unexplained expenditures were cleared up when shown voided checks that were not previously available to you, unfortunately.
- Questions still remain regarding beginning account balances in January 2010 that were not accurate and we know they never will be. The previous and current board of SWCD supervisors is aware of this accounting. Our previous office staff person retired at the end of 2009. At the beginning of 2010 the board of supervisors discovered the inaccurate bookkeeping. We believe previous staff was unable to understand how the computerized bookkeeping system worked and did not ask for help. We know that it will never be correct. A complete audit of our books was made at that time and we have corrected it to the best of our ability. Since Spring 2010 we have worked with our bank, and vendors to account for all monies previously collected and spent. We now have current balances and receipts for every transaction. I hope this explanation is satisfactory.

If you have further questions, please feel free to contact me.

Supervisor,
Delaware County SWCD
Ron Orebaugh
765-744-6825