

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

NEW LONDON CONSERVANCY DISTRICT

HOWARD COUNTY, INDIANA

January 1, 2011 to September 30, 2013



FILED
11/20/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Linda Downey	01-01-11 to 09-30-13
President of the Town Council	Mark Fulk Jeff Lipinski	01-01-11 to 12-31-11 01-01-12 to 09-30-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE NEW LONDON CONSERVANCY DISTRICT, HOWARD COUNTY, INDIANA

We have examined the accompanying financial statement of the New London Conservancy District (District), for the period of January 1, 2011 to September 30, 2013. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement 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 Indiana 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2011 to September 30, 2013.

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 period of January 1, 2011 to September 30, 2013, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 24, 2013

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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.

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NEW LONDON CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Period January 1, 2011 to September 30, 2013

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 09-30-13
Wastewater Utility - Operating	\$ 3,743	\$ 41,090	\$ 43,425	\$ 1,408	\$ 63,036	\$ 63,723	\$ 721	\$ 39,722	\$ 40,443	\$ -
Wastewater Utility - Bond and Interest	8,114	16	-	8,130	9	5,585	2,554	2	2,556	-
Wastewater Utility - Improvement	<u>33,261</u>	<u>64</u>	<u>4</u>	<u>33,321</u>	<u>29</u>	<u>24,143</u>	<u>9,207</u>	<u>8</u>	<u>9,215</u>	<u>-</u>
Totals	<u>\$ 45,118</u>	<u>\$ 41,170</u>	<u>\$ 43,429</u>	<u>\$ 42,859</u>	<u>\$ 63,074</u>	<u>\$ 93,451</u>	<u>\$ 12,482</u>	<u>\$ 39,732</u>	<u>\$ 52,214</u>	<u>\$ -</u>

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

NEW LONDON 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.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 statement. The aggregate receipts include the following sources:

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; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

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

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.

NEW LONDON CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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. 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 3. 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 4. Howard County Loans

During 2004, the District received a \$35,000 loan from Howard County. This loan was to be repaid over 15 years, with no interest. The purpose of the loan was for the matching share of a federal grant that was being applied for; however, the District did not receive the grant. The District has made two payments towards the loan balance, one in April 2006 and one in September 2010.

NEW LONDON CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

The District also received a \$46,000 loan from Howard County in 2009. The purpose of this loan was to help defray legal fees incurred as part of the Town of Russiaville taking over the District operations upon dissolution of the District as a separate entity. The County and the Town of Russiaville are negotiating the repayment of the \$71,668 in outstanding loan balances.

Note 5. *Dissolution of the Conservancy District*

The District signed an Interim Interlocal Cooperative Agreement with the Town of Russiaville in 2006. The agreement stated that the Town of Russiaville would manage the operation of the sewage works facility, including all maintenance, labor, and supplies necessary for such operation, and the management of all billing and accounting functions related to the sewage works operation, until a plan is finalized that would allow Russiaville to acquire ownership and assume aspects of the operation of the District's sewage facility. This also would involve the Town of Russiaville making the New London Wastewater Revenue Bond payments. Upon completion of the acquisition plan, the District would be dissolved. On September 30, 2013, the Town of Russiaville received funds totaling \$15,334 and acquired debt totaling \$153,000 from the District's complete dissolution.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 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 statement contained in this report and the financial information presented in the Annual Reports 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.

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NEW LONDON CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Wastewater Utility Operating	Wastewater Utility Bond & Interest	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 3,743	\$ 8,114	\$ 33,261	\$ 45,118
Receipts:				
Utility fees	39,090	-	-	39,090
Other receipts	2,000	16	64	2,080
Total receipts	<u>41,090</u>	<u>16</u>	<u>64</u>	<u>41,170</u>
Disbursements:				
Utility operating expenses	25,758	-	-	25,758
Other disbursements	17,667	-	4	17,671
Total disbursements	<u>43,425</u>	<u>-</u>	<u>4</u>	<u>43,429</u>
Excess (deficiency) of receipts over disbursements	<u>(2,335)</u>	<u>16</u>	<u>60</u>	<u>(2,259)</u>
Cash and investments - ending	<u>\$ 1,408</u>	<u>\$ 8,130</u>	<u>\$ 33,321</u>	<u>\$ 42,859</u>

NEW LONDON CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Wastewater Utility Operating	Wastewater Utility Bond & Interest	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 1,408	\$ 8,130	\$ 33,321	\$ 42,859
Receipts:				
Utility fees	42,965	-	-	42,965
Other receipts	20,071	9	29	20,109
Total receipts	<u>63,036</u>	<u>9</u>	<u>29</u>	<u>63,074</u>
Disbursements:				
Utility operating expenses	45,496	5,585	24,143	75,224
Other disbursements	18,227	-	-	18,227
Total disbursements	<u>63,723</u>	<u>5,585</u>	<u>24,143</u>	<u>93,451</u>
Deficiency of receipts over disbursements	<u>(687)</u>	<u>(5,576)</u>	<u>(24,114)</u>	<u>(30,377)</u>
Cash and investments - ending	<u>\$ 721</u>	<u>\$ 2,554</u>	<u>\$ 9,207</u>	<u>\$ 12,482</u>

NEW LONDON CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Period January 1, 2013 to September 30, 2013

	Wastewater Utility <u>Operating</u>	Wastewater Utility <u>Bond & Interest</u>	Wastewater Utility <u>Improvement</u>	<u>Totals</u>
Cash and investments - beginning	\$ 721	\$ 2,554	\$ 9,207	\$ 12,482
Receipts:				
Utility fees	33,722	-	-	33,722
Other receipts	6,000	2	8	6,010
Total receipts	<u>39,722</u>	<u>2</u>	<u>8</u>	<u>39,732</u>
Disbursements:				
Utility operating expenses	26,018	-	-	26,018
Other disbursements	14,425	2,556	9,215	26,196
Total disbursements	<u>40,443</u>	<u>2,556</u>	<u>9,215</u>	<u>52,214</u>
Excess (deficiency) of receipts over disbursements	<u>(721)</u>	<u>(2,554)</u>	<u>(9,207)</u>	<u>(12,482)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

NEW LONDON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The Financial Clerk did not obtain an individual surety bond for the District.

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."

ORDINANCES AND RESOLUTIONS

The District has an ordinance concerning the Sewage Works Revenue Refunding Bonds of 1995. This ordinance requires monthly transfers to the Bond and Interest Fund to meet bond payments. This ordinance also requires monthly transfers to a Debt Service Reserve Fund to accumulate money as a margin of safety for the bondholders. The District did not make the necessary transfers into the Bond and Interest Fund nor did it establish the required Debt Service Reserve Fund.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CERTIFIED REPORT FILED AFTER DUE DATE

The District did not timely file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the State Board of Accounts for 2011 and 2012. The report was filed on March 13, 2012, for 2011, which is 41 days past the due date and the report was filed on February 7, 2013, for 2012, which was 7 days late.

Indiana Code 5-11-13-1 states in part:

"(a) Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts.

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

NEW LONDON CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 24, 2013, with Linda Downey, Financial Clerk, and Don Parvin, Vice President of the Town Council. The officials concurred with our findings.