

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

GRAYBROOK LAKE CONSERVANCY DISTRICT

OWEN COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
04/04/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Marilyn A. Hart	01-01-11 to 12-31-13
President of the Board of Directors	Judith Epp	01-01-11 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE GRAYBROOK LAKE CONSERVANCY  
DISTRICT, OWEN COUNTY, INDIANA

We have examined the accompanying financial statement of the Graybrook Lake Conservancy District (District), for the period of January 1, 2011 to December 31, 2012. 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.

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 December 31, 2012.

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 December 31, 2012, 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, Schedule of Leases and Debt, 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 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

December 20, 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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GRAYBROOK LAKE CONSERVANCY DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ -	\$ 13,149	\$ 12,964	\$ 185	\$ 13,133	\$ 13,317	\$ 1
Rainy Day	7,493	7,411	-	14,904	1,290	3,000	13,194
Conservancy Establishment	5,534	68,060	71,615	1,979	13,996	3,815	12,160
Construction	-	359,067	359,067	-	-	-	-
Cumulative Maintenance	400	450	-	850	683	-	1,533
Totals	<u>\$ 13,427</u>	<u>\$ 448,137</u>	<u>\$ 443,646</u>	<u>\$ 17,918</u>	<u>\$ 29,102</u>	<u>\$ 20,132</u>	<u>\$ 26,888</u>

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

GRAYBROOK 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.

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:

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:

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.

GRAYBROOK LAKE CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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 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. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

GRAYBROOK LAKE CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. *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 5. *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.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the District's Annual Report information for years 2011 and later 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 are 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.

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

	General Fund	Rainy Day	Conservancy Establishment	Construction	Cumulative Maintenance	Totals
Cash and investments - beginning	\$ -	\$ 7,493	\$ 5,534	\$ -	\$ 400	\$ 13,427
Receipts:						
Other receipts	13,149	7,411	68,060	359,067	450	448,137
Total receipts	13,149	7,411	68,060	359,067	450	448,137
Disbursements:						
Personal services	1,100	-	-	-	-	1,100
Supplies	181	-	-	-	-	181
Other services and charges	8,894	-	22,655	-	-	31,549
Debt service - principal and interest	-	-	48,960	359,067	-	408,027
Other disbursements	2,789	-	-	-	-	2,789
Total disbursements	12,964	-	71,615	359,067	-	443,646
Excess (deficiency) of receipts over disbursements	185	7,411	(3,555)	-	450	4,491
Cash and investments - ending	\$ 185	\$ 14,904	\$ 1,979	\$ -	\$ 850	\$ 17,918

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

	General Fund	Rainy Day	Conservancy Establishment	Construction	Cumulative Maintenance	Totals
Cash and investments - beginning	\$ 185	\$ 14,904	\$ 1,979	\$ -	\$ 850	\$ 17,918
Receipts:						
Other receipts	13,133	1,290	13,996	-	683	29,102
Total receipts	13,133	1,290	13,996	-	683	29,102
Disbursements:						
Personal services	1,800	-	-	-	-	1,800
Supplies	179	-	-	-	-	179
Other services and charges	10,355	3,000	815	-	-	14,170
Debt service - principal and interest	-	-	3,000	-	-	3,000
Other disbursements	983	-	-	-	-	983
Total disbursements	13,317	3,000	3,815	-	-	20,132
Excess (deficiency) of receipts over disbursements	(184)	(1,710)	10,181	-	683	8,970
Cash and investments - ending	\$ 1	\$ 13,194	\$ 12,160	\$ -	\$ 1,533	\$ 26,888

GRAYBROOK LAKE CONSERVANCY DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Notes and loans payable	Owen Co. State Bank - loan while EB paid off over 8 years	\$ 15,560	\$ 15,851
Totals		<u>\$ 15,560</u>	<u>\$ 15,851</u>



GRAYBROOK LAKE CONSERVANCY DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2012

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:	
Land	<u>\$ 950,000</u>
Total capital assets	<u><u>\$ 950,000</u></u>

GRAYBROOK LAKE CONSERVANCY DISTRICT  
EXAMINATION RESULT AND COMMENT

**CONDITION OF RECORDS**

Financial records presented for examination were not always reflective of the activity of the District.

Some of the deficiencies include:

1. The Financial Clerk uses QuickBooks instead of the required and/or approved forms for posting financial transactions. Quickbooks does not generate the reports that are necessary for audit use.
2. Posting errors including: not posting transfers correctly, such as posting the receipt in the receiving fund but not posting the disbursement into the paying fund; and not accurately posting appropriations and/or the disbursements made from the appropriation.
3. No deposit slips available to verify bank deposits.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

GRAYBROOK LAKE CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2013, with Marilyn A. Hart, Financial Clerk.