

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

LAKE MCCOY CONSERVANCY DISTRICT

DECATUR COUNTY, INDIANA

January 1, 2013 to December 31, 2015



**FILED**  
01/13/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Financial Clerk	Jerry Stuart Sylvester Gilbert Jerry Stuart	01-01-13 to 07-28-13 07-29-13 to 12-31-15 01-01-16 to 06-30-16
Chairman of the Board	Jerry Stuart	01-01-13 to 12-31-16



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE MCCOY CONSERVANCY DISTRICT, DECATUR COUNTY, INDIANA

This report is supplemental to our examination report of the Lake McCoy Conservancy District (District), for the period from January 1, 2013 to December 31, 2015. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Examination Report of the District, which provides our opinion on the District's financial statements. This report may be found at [www.in.gov/sboa/](http://www.in.gov/sboa/).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 15, 2016

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

***CERTIFIED REPORTS NOT FILED***

The District did not timely file a Certified Report of Names, Addresses, Duties, and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2014 or 2015. These reports were not filed until December 19, 2016. The Form 100-R filed for 2013 contained errors.

A similar comment appeared in prior Report B43082.

Indiana Code 5-11-13-1(a) states in part:

"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. . . ."

***COMPENSATION AND BENEFITS***

The District did not issue Internal Revenue Service Form W-2, Wage and Tax Statement, for 2013, 2014, or 2015.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10).

***ADVANCE PAYMENTS***

The District paid compensation to the Directors in advance of the actual date the services were provided in 2013 and 2014.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for any month during the examination period.

A similar comment appeared in prior Report B43082.

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."

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***DISBURSEMENT PROCEDURES NOT FOLLOWED***

The District did not use the prescribed claim form (Claim, General Form No. 354, or Accounts Payable Voucher Town Form No. 39) for the disbursement of monies. The prescribed form provides for the signatures of District officers to document that the claim was approved by the officer or person receiving the goods or services; audited by the fiscal officer; and allowed by the governing board. The fiscal officer may draw a check for the payment only after these signatures are obtained.

A similar comment appeared in prior Report B43082.

Indiana Code 5-11-10-1.6 states in part:

" . . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

***CASH DISBURSEMENTS***

Three checks during the examination period were written payable to "Cash." Two of these checks were cashed and used to purchase gift cards. These gift cards were used to purchase gas for the mowers. One check was used to purchase a money order.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***SUPPORTING DOCUMENTATION***

Supporting documentation for disbursements totaling \$7,456, related to equipment rental, dam maintenance/mowing, snow removal, and other various items was not presented for examination, including the following payments totaling \$5,100 made to Directors of the District or their family members:

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Date</u>	<u>Amount</u>	<u>Payee</u>	<u>Description of Purchase (if any)</u>
07-25-13	\$ 250	Sylvester Gilbert	Cutting trees; weeding dam
07-26-13	250	Sandra Stuart	1/2 year equipment rental
08-19-13	1,200	Morris Mozingo	Removing trees from dam; clean
09-18-13	1,800	Sylvester Gilbert	1 year lease
06-30-14	100	Sylvester Gilbert	Fuel for conservancy
07-17-14	200	Sylvester Gilbert	Fuel for conservancy
10-28-14	650	Jerry Stuart	Equipment rental
07-10-15	<u>650</u>	Jerry Stuart	Equipment rental
 Total	 <u>\$ 5,100</u>		

Due to the lack of supporting information, we could not verify the validity of the disbursements.

A similar comment appeared in prior Report B43082.

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)

**FUND SOURCES AND USES**

Disbursements were made from District funds for the following:

- Maintenance and upkeep of some non-District roadways.
- Security cameras installed on privately owned property.

Public funds may not be used to pay for items or for expenses which do not relate to the functions and purposes of the governmental unit.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

**PENALTIES, INTEREST, AND OTHER CHARGES**

The District paid for personal phone calls, late fees, and other charges to a phone company in the amount of \$77.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

***ANNUAL FINANCIAL REPORT***

The Annual Financial Report filed for 2013 contained a number of errors and did not match the records of the District. Adjustments were proposed to and accepted by management. The adjustments were corrected in the Annual Financial Report filed for 2013.

Annual Financial Reports for 2014 and 2015 were not timely filed. These reports were not filed until December 13, 2016.

Indiana Code 5-11-1-4(a) states:

"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. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***BOARD MEETINGS AND MINUTES***

Based on the Board minutes presented for examination, the Board did not conduct the minimum number of meetings required by statute.

A similar comment appeared in prior Report B43082.

Indiana Code 14-33-5-13 states: "The board shall by resolution fix the time for holding regular meetings, but the board shall meet at least quarterly each year."

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken by individual members if there is a roll call.

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

Indiana Code 5-14-1.5-4(c) states: "The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

**ELECTION OF DIRECTORS**

The meeting minutes presented for examination indicated that an election of Directors was held at an Annual Meeting on December 21, 2014, but there was no legal advertisement published. There was no indication that an Annual Meeting to elect Directors was held in 2015.

A similar comment appeared in prior Report B43082.

Indiana Code 14-33-5-2(a) states in part: "At each annual meeting of the district, directors shall be elected to fill vacancies on the board due to expiration of terms, resignation, or otherwise. The election shall be conducted by written ballots. . . ."

Indiana Code 14-33-5-4(b) states:

"Notice of the annual meeting of the district must be given by one (1) publication in a newspaper of general circulation in each county in the district at least fourteen (14) and not more than thirty one (31) days before the annual meeting. The notice must contain the following:

- (1) The names of the nominees.
- (2) The place where the election will be held.
- (3) The time of the election.
- (4) The fact that this is the annual meeting of the district.
- (5) The purposes of the meeting.
- (6) The time during which ballots may be cast."

**APPROPRIATIONS**

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

<u>Fund</u>	<u>Years</u>	<u>Amount Exceeding Appropriation</u>
General	2013	\$ 73,952
General	2014	48,649
General	2015	40,237

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The District's budget was denied each year by the Department of local Government Finance because the District failed to file required reports.

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."

**OFFICIAL BOND**

The Financial Clerk did not obtain an individual surety bond.

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

Indiana Code 5-4-1-18(c) states:

"Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

County auditors shall file bonds in amounts of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

LAKE MCCOY CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 15, 2016, with Jerry Stuart,  
Director/Financial Clerk.