

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

EXAMINATION REPORT  
OF  
SIMONTON LAKE CONSERVANCY DISTRICT  
ELKHART COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
10/11/2006



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OFFICIALS

Office

Official

Term

Financial Secretary

Jane Mollo  
Linda Wilson

01-01-04 to 02-26-06  
02-27-06 to 12-31-06

President of the Board  
of Trustees

Paul Wilson  
Roger Robinson  
Bob Kelsey

02-19-03 to 02-18-04  
02-19-04 to 02-16-05  
02-17-05 to 02-16-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Simonton Lake Conservancy District (District), for the period of January 1, 2004 to December 31, 2005. The District's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 22, 2006

SIMONTON LAKE CONSERVANCY DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Proprietary Funds:				
Operating	\$ 22,750	\$ 520,693	\$ 492,789	\$ 50,654
Bond and Interest	141,326	146,302	130,000	157,628
Reserve	<u>55,209</u>	<u>45,289</u>	<u>30,000</u>	<u>70,498</u>
Totals	<u>\$ 219,285</u>	<u>\$ 712,284</u>	<u>\$ 652,789</u>	<u>\$ 278,780</u>
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Operating	\$ 50,654	\$ 453,301	\$ 461,331	\$ 42,624
Bond and Interest	157,628	110,978	115,000	153,606
Reserve	<u>70,498</u>	<u>4,502</u>	<u>-</u>	<u>75,000</u>
Totals	<u>\$ 278,780</u>	<u>\$ 568,781</u>	<u>\$ 576,331</u>	<u>\$ 271,230</u>

The accompanying notes are an integral part of the schedules.

SIMONTON LAKE CONSERVANCY DISTRICT  
NOTES TO SCHEDULES

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District was created for the purpose of providing for the collection, treatment, and disposal of sewage and other liquid waste from an unincorporated area.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

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

Note 4. Funding

The District is financed by user fees.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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 6. Long-Term Debt

The District has entered into revenue bonds for the construction of a wastewater collection system. The outstanding principal at December 31, 2005, was \$1,770,000.

Note 7. Restatement of Fund Balances

For the year ended December 31, 2003, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Simonton Lake Conservancy District. The following schedule presents a summary of restated beginning balances. The prior period adjustment represents previously unrecorded cash.

Opinion Unit	Balance as Reported December 31, 2003	Prior Period Adjustments	Balance as Restated January 1, 2004
Operating Fund	\$ 17,469	\$ 5,281	\$ 22,750

## SIMONTON LAKE CONSERVANCY DISTRICT EXAMINATION RESULTS AND COMMENTS

### ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for audit. A similar comment appeared in the prior Audit Report B23373.

The district shall prepare and file annual financial reports required under IC 13-21-3-13.5 and IC 5-11-1-4 with the State Board of Accounts, Department of Local Government Finance, and the Environmental Quality Service Council. (Accounting And Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

### BANK ACCOUNT RECONCILIATIONS

The Simonton Lake Conservancy District does not maintain a fund ledger. The Conservancy District provided an excel spreadsheet summarizing receipts and disbursement for the main checking account. This spreadsheet did not provide ending balances. In addition, transactions on two other banks accounts were not reflected in the spreadsheets provided for audit.

Indiana Code 5-13-6-1(e) states in part: "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."

At all times, the manual/computerized records, subsidiary ledgers, control ledger, and reconciled bank balances, should agree. In the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. 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)

### PUBLIC RECORDS RETENTION

Deposit slips for 2004 were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

### DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Review of the bank statements indicate that the frequency of deposits ranges from twice a month to five times a month.

SIMONTON LAKE CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository.

The statute also provides public funds deposited shall be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision must be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 15)

PRESCRIBED FORM

The Simonton Lake Conservancy District does not use official receipts general Form 352 to account for collections that are not associated with the regular collection of user fees.

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)

SUPPORTING DOCUMENTATION

Fifty percent of the disbursements tested were not supported by adequate documentation, such as receipts, invoices, and other public records. 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)

RECORD OF HOURS WORKED

Payments to the two employees of the Conservancy District were not supported by a record of hours worked.

The federal Fair Labor Standards Act (FLSA) requires that records of wages paid, daily and weekly hours of work, and the time of day and day of week on which the employee's work week begins be kept for all employees. These requirements can be met by use of the following prescribed general forms:

- General Form 99A, Employees' Service Record
- General Form 99B, Employee's Earnings Record
- General Form 99C, Employee's Weekly Earnings Record

General Form 99C is required only for employees who are not exempt from FLSA, are not on a fixed work schedule, and are not paid weekly.

Additional information regarding FLSA rules and regulations may be obtained from the Department of Labor. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 14-2)

SIMONTON LAKE CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

INTEREST ON INVESTMENTS

Interest earned on some investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (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 August 28, 2006, with Linda Wilson, Financial Secretary; Jane Mollo, Board Member; and Bob Kelsey, President of the Board of Trustees.