

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

EXAMINATION REPORT
OF
VAN BIBBER LAKE CONSERVANCY DISTRICT
PUTNAM COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/31/2007

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OFFICIALS

Office

Official

Term

Financial Secretary

Rita K. Lang
Mary J. Anderson

10-08-03 to 10-31-06
11-01-06 to 12-31-07

President of the Board

Larry Fischer
Jerry L. Thacker

01-01-05 to 12-31-06
01-01-07 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VAN BIBBER LAKE CONSERVANCY
DISTRICT, PUTNAM COUNTY, INDIANA

We have examined the financial information presented herein of Van Bibber Lake Conservancy District (District), for the period of January 1, 2005 to December 31, 2006. The District's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above present fairly, in all material respects, the financial information of the District for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

December 13, 2007

VAN BIBBER 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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Water Utility Operating	\$ 46,768	\$ 210,593	\$ 225,448	\$ 31,913
Water Utility Bond and Interest	24,174	-	-	24,174
Water Utility Improvement	3,942	-	-	3,942
Wastewater Utility Operating	53,743	445,083	466,432	32,394
Wastewater Utility Bond and Interest	25,352	-	-	25,352
Wastewater Utility Depreciation	11,060	-	-	11,060
Wastewater Improvement	300	-	-	300
Totals	<u>\$ 165,339</u>	<u>\$ 655,676</u>	<u>\$ 691,880</u>	<u>\$ 129,135</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Water Utility Operating	\$ 31,913	\$ 352,309	\$ 363,901	\$ 20,321
Water Utility Bond and Interest	24,174	-	-	24,174
Water Utility Improvement	3,942	-	-	3,942
Wastewater Utility Operating	32,394	440,149	403,909	68,634
Wastewater Utility Bond and Interest	25,352	-	-	25,352
Wastewater Utility Depreciation	11,060	-	-	11,060
Wastewater Improvement	300	-	-	300
Totals	<u>\$ 129,135</u>	<u>\$ 792,458</u>	<u>\$ 767,810</u>	<u>\$ 153,783</u>

The accompanying notes are an integral part of the financial information.

VAN BIBBER LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: water treatment, wastewater treatment, and general administrative services.

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 initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

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.

VAN BIBBER LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The Conservancy District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Commercial loan	\$ 307,734	\$ 24,000
IDNR flood control loan	105,000	7,500
Revenue bonds:		
Waterworks improvements	<u>162,978</u>	<u>-</u>
Total Water Utility	<u>575,712</u>	<u>31,500</u>
Wastewater Utility		
State Revolving Fund loan 2001	672,000	35,000
State Revolving Fund loan 2003	318,484	15,000
Revenue bonds:		
Wastewater improvements	<u>165,000</u>	<u>-</u>
Total Wastewater Utility	<u>1,155,484</u>	<u>50,000</u>
Total business-type activities debt	<u>\$ 1,731,196</u>	<u>\$ 81,500</u>

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

OVERPAYMENT OF SALARY

Rita K. Lang, former Financial Secretary, underpaid herself by \$1,267.20 in 2005 but overpaid herself by \$13,966.44 in 2006 resulting in a net overpayment of \$12,699.24 as follows:

	<u>Salary Paid</u>	<u>Approved Salary</u>	<u>Over (Under) Paid</u>
2005	\$ 25,440.00	\$ 26,707.20	\$ (1,267.20)
2006	42,898.35	28,931.91	<u>13,966.44</u>
Total Salary Overpayment			<u>\$ 12,699.24</u>

We requested reimbursement from Rita K. Lang, former Financial Secretary, in the amount of \$12,699.24. (See Summary, page 14)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MISSING TRASH BAG COLLECTIONS

By her admission, Rita K. Lang, former Financial Secretary, did not deposit all collections from the sale of trash bags. Based on the number of trash bags purchased along with not having any beginning and ending inventories, we determined the following shortage:

	<u>Calculated Sales</u>	<u>Actual Deposits</u>	<u>Over (Under) Deposited</u>
2005	\$ 14,000.00	\$ 4,720.00	\$ (9,280.00)
2006	15,000.00	15,121.00	<u>121.00</u>
Total Missing Trash Bag Collections			<u>\$ (9,159.00)</u>

We requested reimbursement from Rita K. Lang, former Financial Secretary, in the amount of \$9,159.00. (See Summary, page 14)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES AND INTEREST

Penalties and Interest of \$6,017.13 were paid to the Internal Revenue Service and the Indiana Department of Revenue throughout the examination period and in 2007 for late remittance of payroll and sales taxes.

We requested reimbursement from Rita K. Lang, former Financial Secretary, in the amount of \$6,017.13. (See Summary, page 14)

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)

PROPERTY NOT RETURNED

In 2004, the District purchased a laptop computer for \$1,700.00 so that Rita K. Lang, former Financial Secretary, could work from home. When she resigned, the laptop was not returned to the District.

We requested reimbursement from Rita K. Lang, former Financial Secretary, in the amount of \$1,700.00. (See Summary, page 14)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the government. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FINANCE CHARGES AND LATE FEES

In some cases, amounts payable to vendors and other suppliers of goods and services were not paid until six months after the invoice dates. Finance charges and late fees incurred by the District as a result of delinquent payments during the examination period amounted to \$1,108.81.

We requested reimbursement from Rita K. Lang, former Financial Secretary, in the amount of \$1,108.81. (See Summary, page 14)

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.

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

EXAMINATION COSTS - MISSING FUNDS

The State of Indiana incurred additional examination fees of \$8,435.51 due to the investigation of the missing funds and incomplete records.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND COVERAGE

Rita K. Lang, former Financial Secretary, was bonded by the Ohio Farmers Insurance Company as follows:

Period of Coverage	Amount of Coverage	Amount Charged
10-8-04 to 10-7-05	\$ 15,000	\$ 9,718.06
10-8-05 to 10-7-06	15,000	11,586.94
10-8-06 to 10-8-07	15,000	9,379.18
Total Amount Charged (See Summary, page 14)		\$ 30,684.18

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Rita K. Lang, former Financial Secretary, did not comply with directives of the Internal Revenue Service Tax Code by under reporting her wages on the W-2 for 2005 in the amount of \$2,400. W-2's were not prepared nor reported to the Internal Revenue Service for 2006.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during examination period:

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

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted or not posted at all.

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)

- (3) Some items such as vendor checks and electronic funds transfers were not entered in the records of the District.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS NOT MADE TIMELY

We noted instances where receipts were deposited later than the next business day, and in July 2005 there were no deposits made at all.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

DEPOSITS NOT MADE INTACT

Our examination of canceled payroll checks disclosed that employees were allowed to cash paychecks from Utility cash receipts.

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."

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PREScribed FORMS

The following prescribed or approved forms were not in use:

Payroll Schedule and Voucher, General Form 99
Capital Asset Form, General Form 369

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)

CERTIFIED REPORT NOT FILED

The Conservancy District did not file a certified report of compensation of officers and employees (Form 100-R) with the State Board of Accounts for the years 2005 and 2006.

Indiana Code 5-11-13-1 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 written or printed certified report, correctly and completely showing the names and 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."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not always adequately itemized.
- (3) Some claims did not have board approval.
- (4) Claims or invoices did not always have evidence to support receipt of goods or services.

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;

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

OFFICIAL BOND NOT RECORDED

The official bonds for Rita K. Lang, former Financial Secretary, were not filed in the office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed in separate exit conferences on December 13, 2007, with Mary J. Anderson, Financial Secretary; Jerry L. Thacker, Board Chairman; Michael E. Kirts, Board Vice Chairman; William Dixon, Board member; and Robert L. Vandagriff, Board member. The officials concurred with our findings.

The contents of this report were discussed on December 12, 2007, with Barbara Johnson, Board Secretary.

The contents of this report were discussed on December 12, 2007, with Rita K. Lang, former Financial Secretary.

VAN BIBBER LAKE CONSERVANCY DISTRICT
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Due From Rita K. Lang, former Financial Secretary:			
Overpayment of Salary, page 7	\$ 12,699.24	\$ -	\$ 12,699.24
Missing Trash Bag Collections, page 7	9,159.00	-	9,159.00
Penalties and Interest, page 8	6,017.13	-	6,017.13
Property Not Returned, page 8	1,700.00	-	1,700.00
Finance Charges and Late Fees, pages 8 and 9	<u>1,108.81</u>	<u>-</u>	<u>1,108.81</u>
Totals	<u>\$ 30,684.18</u>	<u>\$ -</u>	<u>\$ 30,684.18</u>

AFFIDAVIT

STATE OF INDIANA)
)
VIGO COUNTY)

We, Peggy Arnold and Laura Ping, Field Examiners, being duly sworn on our oaths, state that the foregoing report based on the official records of the Van Bibber Lake Conservancy District, Putnam County, Indiana, for the period from January 1, 2005, to December 31, 2006, is true and correct to the best of our knowledge and belief.

Peggy Arnold

Laura Ping
Field Examiners

Subscribed and sworn to before me this 3rd day of January, 2008.

Patricia B. Mansard
Clerk of the Circuit Court