

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

EXAMINATION REPORT  
OF  
NEW PARIS CONSERVANCY DISTRICT  
ELKHART COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
12/31/2008



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OFFICIALS

| <u>Office</u>             | <u>Official</u>      | <u>Term</u>          |
|---------------------------|----------------------|----------------------|
| Financial Clerk/Secretary | Diane K. Fissgus     | 01-01-06 to 12-31-08 |
| Chairman of the Board     | Nelson P. Burkholder | 01-01-06 to 12-31-06 |
|                           | Robin Loucks         | 01-01-07 to 12-31-07 |
|                           | Gary Brumbaugh       | 01-01-08 to 12-31-08 |



**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 NEW PARIS CONSERVANCY DISTRICT, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of the New Paris Conservancy District (District), for the period of January 1, 2006 to December 31, 2007. 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 presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts 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

October 29, 2008

NEW PARIS CONSERVANCY DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

|                                | Cash and<br>Investments<br>01-01-06 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-06 |
|--------------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Proprietary Funds:             |                                     |                     |                     |                                     |
| Operating                      | \$ 257,950                          | \$ 862,559          | \$ 1,077,005        | \$ 43,504                           |
| Cumulative Capital Improvement | 40,785                              | -                   | -                   | 40,785                              |
| Construction                   | 4,508                               | -                   | -                   | 4,508                               |
| Bond and Interest              | 141,357                             | 419,800             | 313,100             | 248,057                             |
| Reserve                        | 293,796                             | -                   | 116,591             | 177,205                             |
| Replacement                    | 121,491                             | 33,823              | -                   | 155,314                             |
| Totals                         | <u>\$ 859,887</u>                   | <u>\$ 1,316,182</u> | <u>\$ 1,506,696</u> | <u>\$ 669,373</u>                   |

|                                | Cash and<br>Investments<br>01-01-07 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-07 |
|--------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Proprietary Funds:             |                                     |                   |                   |                                     |
| Operating                      | \$ 43,504                           | \$ 924,999        | \$ 431,767        | \$ 536,736                          |
| Cumulative Capital Improvement | 40,785                              | 42,908            | 12,415            | 71,278                              |
| Construction                   | 4,508                               | -                 | -                 | 4,508                               |
| Bond and Interest              | 248,057                             | -                 | -                 | 248,057                             |
| Reserve                        | 177,205                             | -                 | -                 | 177,205                             |
| Replacement                    | 155,314                             | -                 | -                 | 155,314                             |
| Totals                         | <u>\$ 669,373</u>                   | <u>\$ 967,907</u> | <u>\$ 444,182</u> | <u>\$ 1,193,098</u>                 |

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

NEW PARIS 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: wastewater collection and treatment services 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. 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 4. Additional Funding

In addition to the property taxes received by the District, the District is financed in part by user fees that are based on single family dwelling units.

Note 5. Operating Fund

For reporting purposes, the following funds were combined and reported as the Operating Fund; Savings Account, General Tax Fund, Wastewater Utility Operating Fund, Investment Money Market Fund and the Investment Certificate of Deposit Fund.

NEW PARIS CONSERVANCY DISTRICT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

NEW PARIS CONSERVANCY DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 As of December 31, 2007

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<br/>Balance</u>      |
|--|--------------------------------|
| Capital assets, not being depreciated:         | \$ 64,761                      |
| Land   | 2,847,386                      |
| Infrastructure & Buildings                     | 2,924,055                      |
| Improvements other than buildings              | 694,884                        |
| Machinery and equipment                        | <u>22,022</u>                  |
| Transportation equipment                       |                                |
| <br>Total capital assets not being depreciated | <br><u><u>\$ 6,553,108</u></u> |

NEW PARIS CONSERVANCY DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

| Description of Debt         | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|-----------------------------|--------------------------------|---|
| Wastewater Utility          |                                |   |
| State revolving loan bonds: |                                |   |
| Bonds of 1994               | \$ 1,460,000                   | \$ 197,500  |
| Bonds of 1997               | <u>935,000</u>                 | <u>112,750</u>                                      |
| Total                       | <u>\$ 2,395,000</u>            | <u>\$ 310,250</u>                                   |

NEW PARIS CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of officials and employees of the Conservancy District with their addresses was not certified to the County Treasurer as required by statute.

Indiana Code 6-1.1-22-14(a) states, in part: "on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Some deposits were made up to two weeks later than received. Many times receipts for a week were taken to the bank all at one time. Some receipts on the same day were deposited on different days.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services were not paid until after the due date as noted on the invoices. Penalties and interest of \$226.23 were paid as a result of making late payments to vendors. Penalties and interest totaling \$742.79 were paid to the Internal Revenue Service and to the Indiana Department of Revenue during 2007 and to date in 2008 as a result of making late payment of withholding taxes. Diane K. Fissgus, Financial Clerk/Secretary, was requested to reimburse the District for these charges. (See Summary, page 17)

During the previous examination, penalties and interest totaling \$53.64 were paid to the Internal Revenue Service and to the Indiana Department of Revenue.

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

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior Report B28656, were again present during our period of examination:

NEW PARIS CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

1. The individual fund balances, as reported in the bank reconciliation for December 31, 2007, do not agree to the trial balance. Monies are placed into the Investment Money Market Fund and Investment Certificate of Deposit Fund without noting from which fund the monies were transferred.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

2. Local property tax distributions were posted to the wrong fund in 2006. Property tax distributions were to be posted to the General Fund and Cumulative Capital Improvement Fund, but were posted to the Operating Fund.

Errors were made in posting expenses. The General Fund is appropriated and the Operating Fund is not. Many postings that should have been posted to the General Fund expense accounts were posted to the Operating Fund cash account.

During 2006, the payroll for February 2nd, was not posted to the ledger, which caused the W-2 forms reporting wages and withholdings to be incorrect. During 2007, the May 31st payroll was not reported to the unit's accountant, which resulted in no submission of withholding taxes to governmental authorities. This also caused the 941 form to be incorrect.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the independent Auditor's Report on the financial statements may have an adverse financial consequence with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (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 prepared monthly by Diane K. Fissgus, Financial Clerk/Secretary. They were done twice per year - June and December. Because the payment of bonds and interest were made in December 2007, but posted incorrectly to the ledger, the payment was not reflected on the reconciliation and the annual report was incorrect. The checks were written in December 2007 and cleared the bank January 4, 2008.

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."

#### ADVANCE PAYMENTS

On May 14, 2007, two weekly payroll checks were written, one for May 14 and one for the week of June 6 because Diane K. Fissgus, Financial Clerk/Secretary, was going to be gone. This caused a payment to be made in advance. There was a regular payment made on May 31, 2007.

NEW PARIS CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Payroll payments are not always made on the same day of the week. It was found weekly payments were paid on Wednesdays, Thursdays, or Mondays. Overtime is paid one time per month for the previous month. It could not always be determined which weeks or days were included in the monthly payment.

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 for Special Districts, Chapter 10)

SUPPORTING DOCUMENTATION FOR CREDIT CARD STATEMENTS

Credit card statements did not contain adequate supporting documentation except for gasoline receipts. 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 10)

PERSONAL EXPENSES

Diane K. Fissgus, Financial Clerk/Secretary, was reimbursed for \$332.38 of expenses that were for personal items. Personal expenses are: excess baggage on a United Air flight to Florida (\$50.00), purchases at WalMart at Tampa North, Florida (\$148.28), Barnes & Noble – Tax software (\$93.61), and a missing receipt (\$39.49). Diane K. Fissgus, Financial Clerk/Secretary, was asked to reimburse the District for these items. (See Summary, page 17)

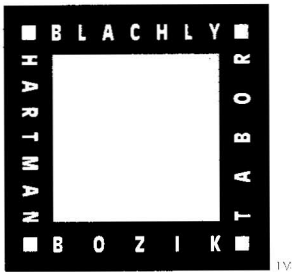
Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance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

OFFICIAL BOND

The District has purchased official bonds for Dianne K. Fissgus, Financial Clerk/Secretary. The bonds were purchased from the Western Surety Company for a coverage period of September 25, 2006 and continuous. The amount of the coverage is \$50,000. There was no bond prior to September 25, 2006.

NEW PARIS CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2008, with Gary Brumbaugh, Chairman of the Board; Diane K. Fissgus, Financial Clerk/Secretary; and David Hollenbeck, Attorney. The official response has been made a part of this report and may be found on page 13 through 16.



## BLACHLY, TABOR, BOZIK & HARTMAN, LLC

November 25, 2008

David L. Hollenbeck  
Thomas F. Macke  
Randall J. Zromkoski  
Richard J. Rupcich  
Craig R. Van Schouwen  
Patrick Lyp  
Jeffrey S. Wrage

Mr. Bruce Hartman  
State Examiner  
Indiana State Board of Accounts  
302 West Washington St. Room E418  
Indianapolis, IN 46204-2765

Anna M. Hearn  
Tracey S. Wetzstein  
Ethan S. Lowe  
John R. Terpstra

RE: New Paris Conservancy District Audit Response

Dear Mr. Hartman:

Glenn J. Tabor  
James S. Bozik  
Duane W. Hartman

I initiate this correspondence in my capacity as legal counsel to the Board of Directors to the New Paris Conservancy District. Your field examiner recently completed her audit of the conservancy district books and records for the period of January 1, 2006 through December 31, 2007. The exit conference convened at the NPCD offices on October 27, 2008. At the end of the exit conference, the conservancy district opted to file an official response to the request and comments contained in the audit findings. Please consider this correspondence as that response.

Quentin A. Blachly  
(1934-1997)

I will attempt to address each of the audit findings as they appear on the "examination results and comments" document. NPCD would offer the following responses:

1) LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

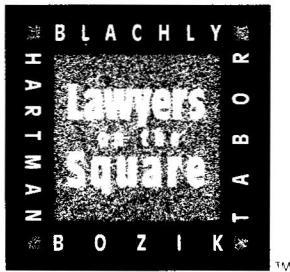
I believe there to be a threshold question as to the applicability of I.C.6-1.1-22-14(a) to the New Paris Conservancy District. The reporting requirement contained in the statute is applicable to political subdivisions of the State of Indiana. The question becomes whether a conservancy district can be defined as a political subdivision. Be that as it may, until the matter can be further clarified, I have advised the NPCD to comply with the requirements contained in the Statute to certify the names and addresses of each person who has money due from the conservancy district to the treasurer of Elkhart County.

2) DEPOSITS

There is again a threshold question of whether I.C.5-13-6-1(d) is applicable to a conservancy district. Statutory language references a "city or town". That having been said, the conservancy is a small unit of government with only one individual employed as office staff. She had significant health problem during the period of the audit and was unable to regularly attend to conservancy district business. This resulted in delayed deposits. However, I am advised that since June, 2007 all deposits have been made no later than the next business day following the receipt of the funds.

56 South Washington, Suite 401  
Valparaiso, IN 46383  
219.464.1041 phone  
219.464.0927 fax

Fort Wayne Office  
260.459.3288



Mr. Hartman/NPCD  
November 25, 2008  
Page Two

3) PENALTIES, INTEREST AND OTHER CHARGES

The Internal Revenue Service and Indiana Department of Revenue penalty in the amount of \$742.79 was attributable to a payroll error attributable to adding field staff to the conservancy district payroll. Previously, NPCD made quarterly payroll withholding payments but by adding the field staff person the requirement changed to filing monthly. The NPCD financial clerk was unaware of the change in IRS requirements and the mistake was inadvertent. The conservancy district utilizes a professional accounting firm to assist the financial clerk and provide consultation and advice on financial matters including payroll. This outside accounting firm also inadvertently failed to catch the change in the IRS filing requirement.

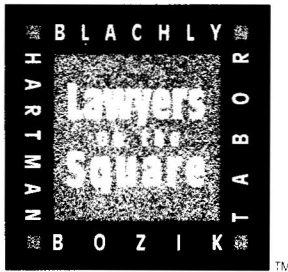
The ongoing nature of the office staff health problems precluded her from paying some of the NPCD vendors in a timely fashion. This precipitated the late charges for the electric and gas utilities. Those health problems have resolved and the financial clerk is currently able to perform all of her job responsibilities.

4) CONDITION OF RECORDS

As reported in the field examiners comments, the findings concerning the condition of NPCD records are reoccurring. The financial clerk has been working with the outside professional accounting firm to resolve the posting and fund balance problems. Unfortunately, those efforts have not yet resolved all of the issues. There is also a software problem with the Greentree system utilized by the conservancy district. The financial clerk and the Board of Directors continue to work with the outside accounting firm to resolve the posting and fund balance problems and are continuing to work with the software company to find a satisfactory resolution.

5) BANK ACCOUNT RECONCILIATIONS

The NPCD financial clerk continues to work with the outside professional accounts to resolve the fund balance issue which also involves problems with the Greentree software. Once the fund balances are correct and the accounts set up appropriately, it will then be a relatively easy task to balance the accounts on a monthly basis.



## BLACHLY, TABOR, BOZIK & HARTMAN, LLC

Mr. Hartman/NPCD  
November 25, 2008  
Page Three

6) ADVANCE PAYMENTS

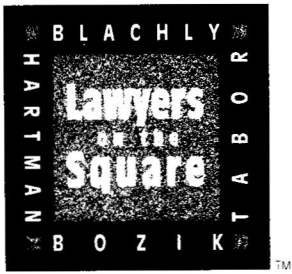
This problem occurred on one occasion and again involved the sole member of the office staff. The financial clerk needed to travel to Florida to take care of an ailing uncle's financial matters and didn't want the payroll delayed until her return. She did not view this as an advance but rather as an effort to make sure that payroll was done prior to her departure for Florida and that the payroll would not be delayed until her return.

7) SUPPORTING DOCUMENTATION FOR CREDIT CARD STATEMENTS

This problem has been corrected and receipts have been matched up to the statements. Itemized listings of what was purchased are now also noted on some of the credit card statements. The board will be adopting a credit card policy to assure that adequate supporting documentation exists to assure that the auditors can verify an account for money expended on behalf of the district.

8) PERSONAL EXPENSES

These expenses were incurred in connection with the financial clerks need to be in Florida to attend to her uncle's financial matters. Her uncle subsequently died a week after her arrival in Florida. The excess baggage charge from United in the amount of \$50.00 involved the need for the financial clerk to bring her computer back from Florida. She was working on conservancy district business in Florida. The Walmart charge in Tampa was for office supplies needed to work on conservancy district business while attending to her uncle in Florida. The unused office supplies were brought back to the conservancy district and used in the office. The Barnes and Noble tax software was used so that the financial clerk could process the Board of Directors 1099 in a timely fashion. The missing receipt and other matters missing from the conservancy district office occurred prior to the conservancy district establishing a procedure for locking the files and the office so as to avoid unauthorized entry.



BLACHLY, TABOR, BOZIK & HARTMAN, LLC

Mr. Hartman/NPCD  
November 25, 2008  
Page Four

The New Paris Conservancy District is steadfast in its commitment to maintaining books and records consistent with your agencies requirements. Any and all necessary remedial action will be taken to accomplish that end. In addition to working with a professional outside accounting firm, the Board of Directors of the Conservancy District has authorized the financial clerk to work with the prior clerk treasurer of the City of Goshen so as to alleviate the remaining accounting issues. Should there be any remaining questions or concerns regarding any aspect of this matter, please feel free to contact the undersigned.

Sincerely,

BLACHLY TABOR BOZIK & HARTMAN

By:

David L. Hollenbeck

DLH/clv

NEW PARIS CONSERVANCY DISTRICT  
SUMMARY

|  | <u>Charges</u>              | <u>Credits</u>              | <u>Balance Due</u>          |
|--|-----------------------------|-----------------------------|-----------------------------|
| Diane K. Fissgus, Financial Clerk/Secretary:                         |                             |                             |                             |
| Penalties, Interest, and Other Charges, page 9                       | \$ 969.02                   | \$                          | \$                          |
| Personal Expenses, page 11   | 332.38                      |                             |                             |
| Repaid by Diane K. Fissgus December 22, 2008,<br>Personal check 6001 |                             | 1,301.40                    | -                           |
|  | <u>                    </u> | <u>                    </u> | <u>                    </u> |
| Totals   | <u>\$ 1,301.40</u>          | <u>\$ 1,301.40</u>          | <u>\$ -</u>                 |