

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

LAKE MCCOY CONSERVANCY DISTRICT

DECATUR COUNTY, INDIANA

January 1, 2010 to December 31, 2012



**FILED**  
12/13/2013



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SCHEDULE OF OFFICIALS

| <u>Office</u>         | <u>Official</u>   | <u>Term</u>          |
|-----------------------|-------------------|----------------------|
| Financial Clerk       | Linda Roark       | 01-01-10 to 12-31-10 |
|                       | Jeff Smerdell     | 01-01-11 to 12-31-12 |
|                       | Jerry Stuart      | 01-01-13 to 07-28-13 |
|                       | Sylvester Gilbert | 07-29-13 to 12-31-13 |
| Chairman of the Board | Jerry Stuart      | 01-01-10 to 12-31-13 |



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INDEPENDENT ACCOUNTANT'S REPORT

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

We were engaged to examine the accompanying financial statement of the Lake McCoy Conservancy District (District), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the District's management.

The District did not properly maintain accounting records. The financial records did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for the period. The District's records did not permit the application of other examination procedures to ascertain if the financial statement is fairly stated.

Since the District did not properly maintain accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on this financial statement.

Our examination was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to any examination procedures and, accordingly, we express no opinion on it.

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

August 28, 2013

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## FINANCIAL STATEMENT

The financial statement was approved by management of the District. The financial statement is presented as intended by the District.

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LAKE MCCOY CONSERVANCY DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Years Ended December 31, 2010, 2011, And 2012

|                     | Cash and<br>Investments<br>01-01-10 | Receipts  | Disbursements | Cash and<br>Investments<br>12-31-10 | Receipts | Disbursements | Cash and<br>Investments<br>12-31-11 | Receipts | Disbursements | Cash and<br>Investments<br>12-31-12 |
|---------------------|-------------------------------------|-----------|---------------|-------------------------------------|----------|---------------|-------------------------------------|----------|---------------|-------------------------------------|
| Governmental Funds: |                                     |           |               |                                     |          |               |                                     |          |               |                                     |
| General             | \$ 67,420                           | \$ 69,425 | \$ 42,216     | \$ 94,629                           | *        | *             | \$ 93,715                           | *        | *             | \$ 97,212                           |

\*Information not available

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for the year 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/).

The District did not file Annual Reports for the years 2011 and 2012 as of August 28, 2013.

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 Report of the District which is 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.

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LAKE MCCOY CONSERVANCY DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

|                                       | General                 |
|---------------------------------------|-------------------------|
| Cash and investments - beginning      | \$ <u>67,420</u>        |
| Receipts:                             |                         |
| Taxes                                 | 69,004                  |
| Other receipts                        | <u>421</u>              |
| Total receipts                        | <u>69,425</u>           |
| Disbursements:                        |                         |
| Personal services                     | 3,250                   |
| Other services and charges            | 297                     |
| Other disbursements                   | <u>38,669</u>           |
| Total disbursements                   | <u>42,216</u>           |
| Excess of receipts over disbursements | <u>27,209</u>           |
| Cash and investments - ending         | <u><u>\$ 94,629</u></u> |

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

**CONDITION OF RECORDS**

Financial records presented for examination were incomplete and not reflective of all the activity of the General Fund. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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)

**ANNUAL REPORT**

Annual Reports for the years 2011 and 2012 were not filed with the state examiner.

Indiana Code 5-11-1-4 states the following:

"(a) 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 5-143.8-7.

(b) The department of local government finance may not approve the budget of a political subdivision or a supplemental appropriation for a political subdivision until the political subdivision files an annual report under subsection (a) for the preceding calendar year."

A similar comment was made in prior Report B38067.

**CERTIFIED REPORT NOT FILED**

The District did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the State Board of Accounts for the years 2010, 2011, and 2012.

Indiana Code 5-11-13-1 states in part:

"(a) Every . . . official, elective or appointive, who is the head of or in charge of any office, department, board, or commission . . . 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. . . ."

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

A similar comment was made in prior Report B38067.

***DISBURSEMENT PROCEDURES NOT FOLLOWED***

The District did not use the prescribe claim form ("Accounts Payable Voucher" - Form Number 39) for the disbursement of monies from January 1, 2010 to December 31, 2012. 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.

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."

***NO SUPPORTING DOCUMENTATION***

The District's financial ledger included memo descriptions for payments related to equipment rental and dam maintenance/mowing. However, no documentation in the form of an invoice or itemized claim was presented for examination to support how the following payment amounts were determined.

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

| Payee        | Description            | 2010          | 2011          | 2012          |
|--------------|------------------------|---------------|---------------|---------------|
| Sandy Stuart | Equipment rental       | \$ 800        | \$ 800        | \$ 500        |
| John Collins | Dam maintenance/mowing | 100           | 150           | 150           |
| Doug Mozingo | Dam maintenance        | -             | -             | 200           |
| Totals       |                        | <u>\$ 900</u> | <u>\$ 950</u> | <u>\$ 850</u> |

Supporting documentation such as 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)

**BOARD MEETINGS AND MINUTES**

The only minutes presented for examination were for the dates of June 6, 2010, April 17, 2011, January 15, 2012, and July 15, 2012. Jerry Stuart, Chairman of the Board stated in an interview that additional meetings were held, but minutes were not always prepared.

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) and (c), effective prior to January 1, 2013, state the following:

"(b) 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.
- (5) Any additional information required under IC 5-1.5-2-2.5.

(c) 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 minutes presented for examination showed that an election of directors was held on June 6, 2010. The District has three directors and the directors are required to be elected to staggered four year terms. As a result, there should be an election at least three years out of four years. No information was presented for examination to indicate that elections were held in the year 2011 or the year 2012. (Also see Examination Result and Comment titled "Board Meetings and Minutes.")



LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

***CONFLICT OF INTEREST***

During the year 2010, the District paid Linda Roark, spouse of Carmel Roark, former Director of the Board, \$500 to serve as the District's Financial Clerk.

The District paid Sandy Stuart, spouse of Jerry Stuart, Director of the Board, \$800, \$800, and \$500 during the years 2010, 2011, and 2012, respectively, for equipment rental. During the year 2011, the District also paid Sandy Stuart \$375 to perform "Financial Clerk" related duties. Sandy Stuart was not formally appointed to serve as the District's Financial Clerk.

No conflict of interest statements were filed by Carmel Roark or Jerry Stuart as required by Indiana statute for payments made to their spouses.

Indiana Code 35-44-1-3, effective prior to July, 2011, states in part the following:

"(a) A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served under any of the following conditions:

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (1) If the:
  - (A) public servant is not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity;
  - (B) functions and duties performed by the public servant for the governmental entity are unrelated to the contract or purchase; and
  - (C) public servant makes a disclosure under subsection (d)(1) through (d)(6). . . .
- (3) If the public servant:
  - (A) is an elected public servant . . . and
  - (B) makes a disclosure under subsection (d)(1) through (d)(6).
- (4) If the public servant:
  - (A) was appointed by an elected public servant . . . and
  - (B) makes a disclosure under subsection (d)(1) through (d)(7). . .
- (d) A disclosure required by this section must:
  - (1) be in writing;
  - (2) describe the contract or purchase to be made by the governmental entity;
  - (3) describe the pecuniary interest that the public servant has in the contract or purchase;
  - (4) be affirmed under penalty of perjury;
  - (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase;
  - (6) be filed within fifteen (15) days after final action on the contract or purchase with:
    - (A) the state board of accounts; and
    - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase; . . .
- (g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of:
  - (1) the public servant; or
  - (2) a dependent of the public servant who:
    - (A) is under the direct or indirect administrative control of the public servant; or

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant.

(h) It is a defense in a prosecution under this section that the public servant's interest in the contract or purchase and all other contracts and purchases made by the governmental entity during the twelve (12) months before the date of the contract or purchase was two hundred fifty dollars (\$250) or less. . . .

(k) As used in this section, 'dependent' means any of the following:

(1) The spouse of a public servant. . . ."

For all intents and purposed, Indiana Code 34-44-1-3, effective July 1, 2011, is identical to Indiana Code 35-44.1-1-4, effective July 1, 2012, the latter of which states:

"(a) The following definitions apply throughout this section:

(1) 'Dependent' means any of the following:

(A) The spouse of a public servant . . .

(3) 'Pecuniary interest' means an interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of:

(A) the public servant; or

(B) a dependent of the public servant who:

(i) is under the direct or indirect administrative control of the public servant; or

(ii) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant.

(b) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony.

(c) It is not an offense under this section if any of the following apply . . .

(6) A public servant makes a disclosure that meets the requirements of subsection (d) . . . and is:

(A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase;

(B) appointed by an elected public servant . . .

(D) elected; . . .

LAKE MCCOY CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (d) A disclosure must:
- (1) be in writing;
  - (2) describe the contract or purchase to be made by the governmental entity;
  - (3) describe the pecuniary interest that the public servant has in the contract or purchase;
  - (4) be affirmed under penalty of perjury;
  - (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity before final action on the contract or purchase;
  - (6) be filed within fifteen (15) days after final action on the contract or purchase with:
    - (A) the state board of accounts; and
    - (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

LAKE MCCOY CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on November 19, 2013, with Sylvester Gilbert, Financial Clerk, and Jerry Stuart, Chairman of the Board. The officials concurred with our findings.