

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTH LAKE CONSERVANCY DISTRICT

JOHNSON COUNTY, INDIANA

January 1, 2013 to December 31, 2017



**FILED**  
02/07/2019



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Transmittal Letter .....	3
Audit Results and Comments:	
Internal Controls .....	4
Timely Recording and Depository Reconciliations .....	5
Appropriations.....	5
Exit Conference.....	6

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Deborah Shutta	01-01-13 to 12-31-18
President of the District Board	Michael Greathouse	01-01-13 to 12-31-18



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTH LAKE CONSERVANCY  
DISTRICT, JOHNSON COUNTY, INDIANA

This report is supplemental to our audit report of the North Lake Conservancy District (District), for the period from January 1, 2013 to December 31, 2017. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statements Audit 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 established by the Indiana State Board of Accounts. The Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

December 18, 2018

NORTH LAKE CONSERVANCY DISTRICT  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

There were deficiencies in the internal control system for the District related to financial transactions and reporting. There was a lack of segregation of duties, as the District had not separated incompatible activities related to cash and investments, receipts, disbursements, and financial reporting.

*Cash and Investments and Receipts*

The Treasurer performed all of the activities related to cash and investments and receipts without oversight or review.

*Disbursements*

The District had not properly designed or implemented procedures over disbursements. There was no oversight or review to ensure the accuracy and classification to the proper fund and account.

*Financial Reporting*

The Treasurer prepared the financial information in the Indiana Gateway for Government Units financial reporting system, which was the source for the District's financial statements. The District had designed controls over the financial transactions regarding financial reporting; however, no documentation was provided that the controls had been implemented.

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

NORTH LAKE CONSERVANCY DISTRICT  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**TIMELY RECORDING AND DEPOSITORY RECONCILIATIONS**

The District did not maintain a detailed record of the receipts and disbursements transactions for 2014, 2015, 2016, or 2017. A summary of transactions by fund (Appropriation Report) was completed periodically. Additional procedures were performed to determine if the financial statements were materially correct.

The District completed depository reconcilements; however, the Appropriation Reports, which included the ending cash balances, were not always presented with the reconcilements. Therefore, we were unable to determine if the monthly depository reconcilements were complete and accurate.

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**APPROPRIATIONS**

A similar comment appeared in prior Report B42988, entitled *APPROPRIATIONS*.

Expenditures exceeded budgeted appropriations as follows:

Fund	Years Ending December 31,				
	2013	2014	2015	2016	2017
Debt Service Fund	\$ 220,355	\$ 81,065	\$ 71,095	\$ 72,875	\$ 72,830

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."

NORTH LAKE CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2018, with Deborah Shutta, Treasurer.