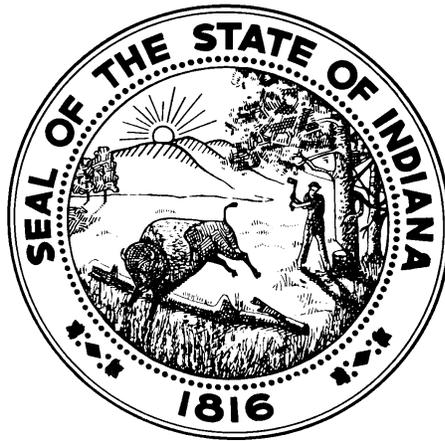


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
LAKE DALECARLIA REGIONAL WASTE DISTRICT  
LAKE COUNTY, INDIANA  
January 1, 2004 to December 31, 2007



**FILED**  
11/06/2008



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OFFICIALS

| <u>Office</u>          | <u>Official</u>                   | <u>Term</u>                                  |
|------------------------|-----------------------------------|--|
| District Manager       | Teresa Stoner<br>Nicole Walkowiak | 01-01-04 to 07-26-06<br>07-27-06 to 12-31-08 |
| President of the Board | Doyne I. Cole<br>Stanley B. Lee   | 01-01-04 to 12-31-05<br>01-01-06 to 12-31-08 |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
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INDIANAPOLIS, INDIANA 46204-2769

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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF LAKE DALECARLIA REGIONAL  
WASTE DISTRICT, LAKE COUNTY, INDIANA

We have examined the financial information presented herein of Lake Dalecarlia Regional Waste District (District), for the period of January 1, 2004 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, 2004, 2005, 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 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. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 8, 2008

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2004, 2005, 2006 And 2007

|                               | Cash and<br>Investments<br>01-01-04 | Receipts   | Disbursements | Cash and<br>Investments<br>12-31-04 |
|-------------------------------|-------------------------------------|------------|---------------|-------------------------------------|
| Governmental Fund:<br>General | \$ 73,007                           | \$ 332,718 | \$ 349,280    | \$ 56,445                           |

|                                | Cash and<br>Investments<br>01-01-05 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-05 |
|--------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds:<br>General | \$ 56,445                           | \$ 338,911        | \$ 335,057        | \$ 60,299                           |
| Capital                        | -                                   | 13,516            | -                 | 13,516                              |
| Totals                         | <u>\$ 56,445</u>                    | <u>\$ 352,427</u> | <u>\$ 335,057</u> | <u>\$ 73,815</u>                    |

|                                | Cash and<br>Investments<br>01-01-06 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-06 |
|--------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds:<br>General | \$ 60,299                           | \$ 334,300        | \$ 341,365        | \$ 53,234                           |
| Capital                        | 13,516                              | 11,475            | 14,736            | 10,255                              |
| Totals                         | <u>\$ 73,815</u>                    | <u>\$ 345,775</u> | <u>\$ 356,101</u> | <u>\$ 63,489</u>                    |

|                                | Cash and<br>Investments<br>01-01-07 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-07 |
|--------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Governmental Funds:<br>General | \$ 53,234                           | \$ 432,006        | \$ 418,051        | \$ 67,189                           |
| Capital                        | 10,255                              | 27,171            | 17,135            | 20,291                              |
| Totals                         | <u>\$ 63,489</u>                    | <u>\$ 459,177</u> | <u>\$ 435,186</u> | <u>\$ 87,480</u>                    |

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

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides sanitation 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 prepared and approved at the local level.

Note 4. 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 5. Agreed Order and Compliance Plan

On June 6, 2008, the Indiana Department of Environmental Management (IDEM) sent the District a Notice of Violations and a proposed Agreed Order, setting forth IDEM's specific findings regarding the discharge of wastewater and the actions necessary to resolve the violations. On July 24, 2008, the District signed the agreed order, which states various corrective actions required. On August 18, 2008, the District submitted the required Compliance Plan to IDEM. Once approval of the plan has been obtained, the plan is to be immediately implemented.

Prior to the receipt of the Agreed Order, the District had been in the process of designing improvements and making critical repairs. These have been incorporated into the Compliance Plan and will not resume until the Compliance Plan has been approved by IDEM. The District is considering financing the project through debt, such as loans or bonds.

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The District has entered into the following debt:

| Description of Debt                | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------------|--------------------------------|---|
| Governmental Activities:           |                                |   |
| State Revolving Loan of 2001       | \$ 356,000                     | \$ 35,884   |
| Notes and loans payable            | <u>47,749</u>                  | <u>26,975</u>                                       |
| Total governmental activities debt | <u>\$ 403,749</u>              | <u>\$ 62,859</u>                                    |

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The District adopted Ordinance 2001-1 to issue debt related to a State Revolving Fund Loan. The Ordinance required the establishment of a Sinking (Debt) Fund. The sinking fund was required to be funded within five years for a debt service reserve. The sinking fund has not been created or formally funded as required by the ordinance. District officials have stated that the District's investments in U.S. Treasury bills and notes were for the sinking fund, but the records and board minutes did not reflect that designation.

The District has an ordinance (2004-1) which instituted capital fees and created a fund to account for the fees, beginning in 2005. The District deposited fees in 2005 and 2006 into a savings account but did not create the fund in the financial records. A fund was created in 2007. However, the District did not transfer capital fees to the fund after April 2007 collections.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

BOARD COMEPENSATION

Board members are paid \$75 for each board meeting attended. The board compensation rate paid exceeds the maximum rate permitted by statute.

Indiana Code 13-26-4-7(a) states: "The board of a district may provide for the payment of not more than fifty dollars (\$50) per day to members of the board for each day or major part of a day devoted to the work of the district."

EMPLOYEE COMPENSATION

Storm water inspectors received compensation for 2007 which was not adopted by the Board at a public meeting. All other employee compensation for 2007 and prior years, while approved by the governing board in the minutes, was not adopted in the form of a salary ordinance or resolution.

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)

APPROVAL OF CLAIMS

Disbursements were made by the District, prior to Board approval. The Board adopted a policy in March, 2005, to permit payment prior to board approval. This policy conflicts with Indiana statute.

Indiana Code 5-11-10-1.6(c) states: " The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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."

INVESTMENTS IN CERTIFICATES OF DEPOSIT

No record of quotes taken for investment in certificates of deposit (CD) was provided for audit. The District has renewed the CD at each maturity without obtaining quotes as required by statute.

Indiana Code 5-13-9-4(b) states: "The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

CAPITAL ASSET RECORDS

The District has not adopted a policy for capitalization of capital assets. The capital assets records have not been updated since June 2000. Some values recorded in the records in 2000 for the acquisition of a local utility appear unreasonable, based upon the condition of the utility per review of the District board minutes and amounts paid to the prior owner to acquire the utility.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

DELINQUENT ACCOUNTS

The District does not have a formalized policy regarding the handling of delinquent accounts.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORMS

The following prescribed forms were not in use:

1. Register of Investments, General Form 350
2. Capital Asset Ledger, General Form 359

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)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part: "(a) . . .

"original records" includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

LAKE DALECARLIA REGIONAL WASTE DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2008, with Teresa Stoner, retired District Manager. Her official response has been made part of this report and may be found on page 11.

The contents of this report were discussed on September 16, 2008, with Stanley B. Lee, President of the Board; Doyne I. Cole, Vice President of the Board; Virginia Feyes, Treasurer; Nicole Walkowiak, District Manager; and Carol White, Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 12 and 13.

Teressa A. Stoner  
4806 White Oak Terr.  
Lowell, IN 46356  
Ret. District Manager  
of LDRWD

To: Bruce Hartman, State Manager  
Indiana State Board of Accounts

The contents of this report were discussed  
on 9/9/08 and 9/11/08 on the telephone,  
with Cynthia M. David, Auditor in Charge.

The Lake Dale carlin Regional Waste  
District (District) had not been audited  
by the State Board of Accounts since 1995-  
1996 (period) and 2007. If the District  
had been audited in the interim, you  
can be sure that all pertinent requirements  
and information would be kept  
current as we worked very carefully  
with our attorney, Timothy Senack,  
209 S. Main St., Crown Point, IN 46307,  
and Bapple & Bapple, Certified Public  
Accountants, Inc., 101 N. Main St., Crown  
Point, IN, 46307.

Please include this explanation with  
the Exit Conference Report.

Sincerely,  
Teressa Stoner  
Retired District Manager  
LDRWD  
15701 Briargate Pl.  
Lowell, IN 46356



**LAKE DALECARLIA  
REGIONAL WASTE DISTRICT**

15901 Briargate Place • Lowell, Indiana 46356  
(219) 696-4035 • (219) 696-4055 FAX

September 16, 2008

Bruce Hartman  
State Board of Accounts  
302 W. Washington Street  
Room E, 418  
Indianapolis, IN 46204-2765

Dear Mr. Hartman,

**SUBJECT: OFFICIAL RESPONSE**

Upon completion of the exit interview of our recent audit from the State Board of Accounts. The District would like to make the following comments regarding proposed actions that will be taken.

1. The District has created a Sinking Fund in 2007 and is currently in the process of ensuring that the funds will be transferred on a monthly basis as required.
2. The District capital fund has been created and a spreadsheet will be updated monthly, showing the correct deposit, which is based on the current rate ordinance. The May thru December 2007 capital fund payment was made in 2008, as shown on the budget line item 'Past Cap Fund Payback'.
3. The Board of Trustee's will take action regarding the maximum rate for compensation to comply with Indiana Code 13-26-4-7(a) at the October 2008 meeting.
4. The Board of Trustee's will take action showing the 2007/2008 compensation for Stormwater Inspectors at the October 2008 meeting.
5. Beginning for the 2009 year, the District will have salary rates in the form of an ordinance or salary schedule to be adopted by the Board of Trustee's, to ensure compliance with state and federal reporting requirements.
6. The District office is currently reviewing the monthly disbursements and will advise the Board of Trustee's regarding timely payments. The District is planning on taking action at the October 2008 Board meeting to ensure that payment is not made prior to approval by the Board of Trustee's.

September 16, 2008

7. The District will begin to obtain 3 quotes for the interest rate of the capital fund CD prior to renewing as required by statute.
8. The District will create a policy that includes a dollar amount threshold for capitalization of capital assets and will fill out the Capital Asset Ledger sheet as required.
9. The District will create a formal policy regarding the delinquent account and lien procedures.
10. The District is working with local financial institutions to obtain an optical image of the back side of the checks. This information will be obtained for all checks beginning in January 2008.
11. The District will complete the Register of Investments form as required for all investments.

Sincerely,



Nicole Walkowiak  
District Manager