

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

EXAMINATION REPORT
OF
PINE LAKE CONSERVANCY DISTRICT
LAPORTE COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Long-Term Debt	6
Examination Results and Comments:	
Annual Report.....	7
Bank Account Reconciliations	7
Overdrawn Fund Balance.....	7
Deposits.....	8
Prescribed Forms	8
Capital Asset Records	8
Contracts	9
Exit Conference.....	10
Official Response	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Dianne Foran	01-01-06 to 12-31-08
Chairman of the Board	Richard Ostergren	01-01-06 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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PINE LAKE CONSERVANCY DISTRICT, LAPORTE COUNTY, INDIANA

We have examined the financial information presented herein of the Pine Lake 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 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. The schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

November 24, 2008

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

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ (43,302)	\$ 157,003	\$ 174,954	\$ (61,253)
Debt Service Reserve	39,510	7,080	-	46,590
Replacement	16,549	9,660	2,456	23,753
Bond and Interest	20,717	64,020	61,875	22,862
Totals	<u>\$ 33,474</u>	<u>\$ 237,763</u>	<u>\$ 239,285</u>	<u>\$ 31,952</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ (61,253)	\$ 149,500	\$ 170,027	\$ (81,780)
Debt Service Reserve	46,590	7,080	-	53,670
Replacement	23,753	9,660	6,594	26,819
Bond and Interest	22,862	64,020	60,475	26,407
Totals	<u>\$ 31,952</u>	<u>\$ 230,260</u>	<u>\$ 237,096</u>	<u>\$ 25,116</u>

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

PINE 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: public health 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.

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.

PINE LAKE CONSERVANCY DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Loan Payable:		
SRF Loan	\$ 565,000	\$ 63,987

PINE LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports (Special District Annual Report) for 2006 and 2007 were not prepared.

Indiana Code 5-11-1-4 Sec. 4 (a) states in part: "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 thirty (30) days after the close of each fiscal year."

BANK ACCOUNT RECONCILIATIONS

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

Record balances have not been accurately reconciled to the bank account balances during the past two years.

During the course of the examination several errors were found:

- (1) Customer collections were posted to the ledger in February of 2006 and deposited in March of 2006. The receipts were posted again in March, which resulted in a double posting of \$12,624.63.
- (2) Customer collections, in the amount of \$10,678.50, were deposited in September of 2006, but were not posted to the excel spreadsheet.
- (3) Check number 1344, written in June of 2006 for \$3,339.43, was posted as \$339.43.
- (4) Check number 1366, written in July of 2006 for \$5,335.00, was posted as \$535.00.
- (5) Check number 1566, written in October of 2007 for \$50.00, was posted as \$1,154.91.

After adjusting for the above items, a comparison of the records to the bank account balance revealed they were in agreement for 2006 and 2007.

In comparing the August 2008 bank statement to the unit's records it was noted that a wire transfer debit was made on August 15, 2008, for \$55,251.32. This transaction was not reflected in the unit's records.

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."

OVERDRAWN FUND BALANCE

The General Fund was overdrawn in 2006 and 2007 in the amount of \$61,253 and \$81,780, respectively.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PINE LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

The District collects payments from customers. Payments are due the 15th of every month. Payments are mailed to a post office box and remain there until the financial secretary picks them up. A review of 2007 deposits revealed that deposits have not been made in a timely manner. For example, payments received for the month of January were deposited February 28, 2007. Payments received for the months of February, March, and April 2007, were deposited May 4, 2007, and May 15, 2007. Payments received for May and June 2007 were deposited July 12, 2007.

Since payments are due the 15th of every month, the financial secretary should retrieve the payments from the post office box shortly after that date, to ensure payments are processed and deposited in a timely manner.

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 fund on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORMS

The following prescribed or approved form was not always in use: General Form 358 (Ledger of Receipts, Disbursements and Balances). The District maintained a prescribed ledger for January and February of 2006. Beginning in March 2006, the district started using an excel spreadsheet that reported beginning balances, deposits made, interest earned, a list of check numbers and amounts, and an ending balance. This form has not been approved by the State Board of Accounts.

Additionally, the District does not use the prescribed General Receipt (Form 352) for collections and interest received.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CAPITAL ASSET RECORDS

The District does not maintain capital asset records.

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

PINE LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

Payments were made to Dianne Foran for her bookkeeping services for the years 2006 and 2007 without a contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PINE LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2008, with Richard Ostergren, Chairman of the Board; and Dianne Foran, Financial Clerk. The official response has been made a part of this report and may be found on page 11.

Pine Lake Conservancy District

PO Box 1884
LaPorte, IN 46352-1884
(219) 362-0081

Mr. Doug Wiese
District Z Supervisor
227 West Jefferson Blvd.
Room 806
South Bend, Indiana 46601

December, 5, 2008

Dear Audit Examiners and Supervisors;

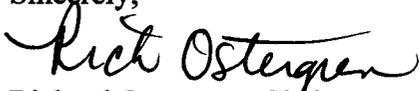
We are in receipt of your November 2008 exam. Our new board has chosen to enhance our overall due diligence as a full board. In that effort we have created an excel spreadsheet to track history of our collections of fees. In that process and because we have not previously had a receivable system we noted substantial amounts of uncollected fees which surprised us all. We are in the process of confirming as well as collecting. Our Board has pledged their efforts on aggressive collections going forward.

We are a small and tight organization which needs to find efficiencies in our processes. Our new system allows us to better reconcile cash receipts to deposits monthly and creates a historic system of receipts for members based on account number, year and month of payment for all to monitor and see at meetings. In that regard the pre-numbered receipts previously recommended will be used as the master receipt recommended by Jane Wilson.

We have informed our board of the internet connections to government forms you recommended for their review and our board is in better contact, through internet groups for communication on these and other issues.

In all other respects the report and exceptions were noted and agreed upon by our chairman Richard Ostergren, our Treasurer, Dianne Foran and a present Board member Lawrence J. Mazur with our pledge to improve our efforts at cash management, due diligence and the avoidance of any conflicts of interest.

Sincerely;



Richard Ostergren, Chairman

by Dianne Foran