

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

EXAMINATION REPORT
OF
LAKE LEMON CONSERVANCY DISTRICT
MONROE 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>
Lake Manager	Robert Madden	01-01-06 to 12-31-08
Treasurer	Dennis Friesel	01-01-06 to 12-31-08
President of the Board	Marty Mann	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE LEMON CONSERVANCY
DISTRICT, MONROE COUNTY, INDIANA

We have examined the financial information presented herein of the Lake Lemon 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.

STATE BOARD OF ACCOUNTS

November 13, 2008

LAKE LEMON 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	\$ 68,959	\$ 529,956	\$ 508,979	\$ 89,936
LARE Weed	-	25,200	25,200	-
LARE Sediment	-	119,642	119,642	-
Cumulative Maintenance	46,090	2,672	402	48,360
Totals	<u>\$ 115,049</u>	<u>\$ 677,470</u>	<u>\$ 654,223</u>	<u>\$ 138,296</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 89,936	\$ 355,640	\$ 336,119	\$ 109,457
LARE Weed	-	24,680	24,680	-
LARE Sediment	-	140,358	140,358	-
Cumulative Maintenance	48,360	14,214	11,932	50,642
Totals	<u>\$ 138,296</u>	<u>\$ 534,892</u>	<u>\$ 513,089</u>	<u>\$ 160,099</u>

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

LAKE LEMON 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 safety, health and social services, culture and recreation, 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. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. 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.

LAKE LEMON 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.

Note 7. Subsequent Event

Conservancy tax overpayments of \$66,444.91 were received from Monroe County. Refunds have not been repaid to the County as of November 13, 2008.

Note 8. Short-Term Debt

On December 19, 2007, the District entered into a short-term borrowing arrangement with Monroe Bank for an amount not to exceed \$125,000. The District borrowed \$110,000 on December 28, 2007, and that amount remains outstanding as of December 31, 2007.

LAKE LEMON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

PUBLIC WORKS PROJECT

The District advertised to receive quotes for sediment removal on June 9, 2006. The only quote received was from Payne Excavation. The District signed a contract with Payne Excavation for \$175,000. On April 1, 2007, the District extended the contract with Payne Excavation and increased the amount by \$155,000.

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (B) a county containing a consolidated city or second class city; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); (C) a regional water or sewage district established under IC 13-26; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

Indiana Code 36-1-12-18(d) states: "The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project."

PRESCRIBED FORMS

Form 350, Register of Investments, was not being used by the District.

The receipt form used by the District was not the prescribed form, and it was only used for collections of fees. No receipts were written for tax distributions or grant distributions that were received as electronic funds transfers.

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)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE LEMON CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Claims were not certified by the Treasurer.
- (2) Claims did not have board approval.

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: (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."

TRANSACTION RECORDING

Grant receipts and disbursements and Cumulative Maintenance Fund cash and investments were not reported separately in the general ledger or the financial statements of the District during the examination period. Also, the Annual Financial Report for 2006 and 2007 did not properly reflect the general ledger or the financial statements of the District.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DEPOSITS

It was the practice of the District to deposit twice a week instead of depositing by the next business day. An instance was found when the receipts were not deposited for ten days.

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

LAKE LEMON CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2008, with Shirley Watkins, Watkins Accounting.

The contents of this report were discussed on November 13, 2008, with Robert Madden, Lake Manager; and Dennis Friesel, Treasurer. The official response has been made a part of this report and may be found on pages 10 and 11.

OFFICIAL RESPONSE
LLCD Conservancy District Audit
State Board of Accounts
302 West Washington St, Rm 418
Indianapolis, IN 46204-2738

November 18, 2008

Gentlemen:

This letter is a written response to the State Board of Accounts audit of the Lake Lemon Conservancy District (LLCD) budget and financial records for the years 2006, and 2007. A copy of this Audit report is attached below. An exit interview with the State Auditor was conducted in the office of Watkins Accounting on November 13, 2008. Conservancy board member and treasurer D. Friesel and Lake Manager R. Madden were in attendance. There was an initial exit interview with Mr. Madden and the LLCD Accountant Shirley Watkins a week earlier than this. A summary document with 5 points of discussion was presented to those in attendance at both meetings. The LLCD responses to these comments are listed below in the same order as listed in this document.

1. Public Works Project:

When LLCD solicited bids for the dredging of Lake Lemon, we apparently did not follow the required procedures or conduct the bidding process according to IC 36-1-12 (a), (b), or (d) regulations.

The LLCD board has worked with the city of Bloomington and several Engineering Consulting firms for several years to develop a dredging plan for Lake Lemon, including making a bathymetric measurement of the lake to prioritize areas to be dredged. LLCD also worked for a couple years to acquire all State and County certifications and permits for this dredging initiative. The State of Indiana made grants available to the LLCD of \$100,000 a year for 3 years, which allowed this dream of preserving Lake Lemon for the future to become a reality. We consulted our LLCD Lawyer, Angela Parker, to help prepare dredging bid packages for public RFQ's. While LLCD determined how we wanted to conduct the dredging operation on the lake (ie, no hydraulic dredging), we made every attempt to solicit quotes from as many vendors as possible. Only one vendor responded, Payne Excavation. Even after the exit interview, I am at a loss to understand how we could have been more forthright or fair in the execution of this work project.

2. Prescribed Forms:

Receipts are generally provided to all LLCD customers and vendors, but not on the prescribed form. We ordered General Form Number 352 last year, but wanted to use the balance of our older receipt forms to save money. We will use the correct receipt form for all budget and financial transactions as required in the future.

3. Errors on Claims:

In the future, claims will be signed by the LLCD treasurer and presented to the LLCD board for approve at the monthly LLCD Board meetings.

4. Transaction Recording:

Grant Receipts, disbursements and Cumulative Maintenance Fund Cash and Investments will henceforth be reported separately in the LLCD general Ledger. Errors in the Annual Financial Report (I used the new State Electronic Form for 2007) were ones, not of omission, but of apparently reporting the data on the wrong forms. In my humble opinion, both the Electronic and Paper Annual Report forms could use some improvements on the instructions provided.

5. Deposits:

State law requires that all LLCD receipts be deposited in the bank within 24 hrs, or the next business day. This is a repeat item from the 2005 Audit Report. . Receipts during the week at LLCD are relatively low, while weekend receipts can be substantial. This requires a 24 mile round trip per day to the bank in Bloomington to deposit <\$100 on weekdays, which represents an unnecessary expense to the LLCD, and unnecessary wear and tear on the LLCD vehicle. Hence, after much discussion on this topic with the auditor in 2005 and again this year, LLCD will continue to deposit receipts in the bank on Friday and Monday of each week. The LLCD Office has a substantial fire proof safe to store the receipts collected during the week.

In closing, I'd like say that the LLCD office has continually attempted to conduct it's business with the State in a professional, practical and legally proper manner. LLCD will continue to comply with the terms of the LLCD conservancy act in the future to the best of its ability. This response respectfully submitted to the State Board of Accounts, this day, November 18, 2008.



Dennis L. Friesel
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