

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

EXAMINATION REPORT

OF

VALPARAISO LAKES AREA CONSERVANCY DISTRICT

PORTER COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
02/09/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
General Manager	Robert A. Minarich	01-01-06 to 12-31-09
Financial Secretary	Katherine Kostantios	01-01-06 to 12-31-09
Chairman of the Board of Directors	Mark Ennes	01-01-06 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE VALPARAISO LAKES AREA CONSERVANCY DISTRICT

We have examined the financial information presented herein of the Valparaiso Lakes Area 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. 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

January 15, 2009

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY 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	\$ 84,956	\$ 108,276	\$ 151,342	\$ 41,890
Rainy Day	26,600	12,474	-	39,074
Cumulative Improvement	326,468	37,975	-	364,443
Proprietary Fund Types:				
Enterprise:				
Water Utility:				
Operating	203,191	569,042	609,607	162,626
Customer Deposit	34,922	2,140	1,295	35,767
Wastewater Utility:				
Operating	<u>153,720</u>	<u>456,976</u>	<u>491,891</u>	<u>118,805</u>
Totals	<u>\$ 829,857</u>	<u>\$ 1,186,883</u>	<u>\$ 1,254,135</u>	<u>\$ 762,605</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 41,890	\$ 163,481	\$ 227,997	\$ (22,626)
Rainy Day	39,074	14,006	-	53,080
Cumulative Improvement	364,443	26,988	-	391,431
Proprietary Fund Types:				
Enterprise:				
Water Utility:				
Operating	162,626	636,067	635,958	162,735
Customer Deposit	35,767	1,500	790	36,477
Wastewater Utility:				
Operating	<u>118,805</u>	<u>479,724</u>	<u>406,553</u>	<u>191,976</u>
Totals	<u>\$ 762,605</u>	<u>\$ 1,321,766</u>	<u>\$ 1,271,298</u>	<u>\$ 813,073</u>

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

VALPARAISO LAKES AREA 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: water, wastewater, drainage improvement, erosion control, and flood prevention and control.

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 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.

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 6. Water Rate Structure

The current rate structure was approved by the Indiana Utility Regulatory Commission in 1991. The District has 1,093 customers.

Note 7. Subsequent Event

Reassessment and Property Taxes

In accordance with state statutes, all counties were required to reassess property values prior to billing taxes in 2005 through 2007. Significant delays in the reassessment process have resulted in delays in billing taxes in 2005 through 2007. The late billing has delayed timely property tax distributions to the District. The 2007 tax bills were not issued until December 2007, with a due date of January 11, 2008. On May 20, 2008, the District received the final 2007 tax distribution from the county.

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
CAT backhoe	\$ 34,403	\$ 921
Total governmental activities debt	<u>\$ 34,403</u>	<u>\$ 921</u>
Business-type Activities:		
Water Utility		
Capital leases:		
SRF Edgewater Beach Road water line	\$ 187,011	\$ 20,518
Total Water Utility	<u>\$ 187,011</u>	<u>\$ 20,518</u>

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

The annual reports' beginning balances, receipts, disbursements, and ending balances were not fully completed, had mathematical errors, and did not agree to the trial balance reports. The 2006 and 2007 trial balances were overstated by \$14,015 due to a posting error to the Rainy Day fund. The trial balance reports' balances, receipts and disbursements were used for the audit.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

COMINGLING OF FUNDS

The activity of the General and the Rainy Day Funds are combined within one fund in the ledger.

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)

RAINY DAY FUND

Although activity for the General Fund and the Rainy Day Fund was combined in the ledger, the activity included clearly identifiable entries signifying the intent to make transfers from the General Fund to a Rainy Day Fund. For reporting purposes, these funds and the related activity were separated. The transfers were based upon a percentage of the General Fund budget. This resulted in a negative balance in the General Fund. Transfers to the Rainy Day Fund should be based upon unencumbered and unexpended funds.

A political subdivision may establish a rainy day fund to receive transfers of unused and unencumbered funds under IC 36-1-8-5. The fund should be established by resolution and the resolution should state the purposes and sources of funding for the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 20)

OVERDRAWN CASH BALANCE

The cash balance of the General Fund was overdrawn by \$22,626 at December 31, 2007.

The cash 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)

CASH CHANGE FUND

The cash change fund balance was in excess of the board established amount by \$166. The fund should be balanced to \$150. The \$166 overage should be deposited to the bank.

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

CUSTOMER DEPOSIT CONTROL TO DETAIL

The customer deposit detail reports are not reconciled to the customer deposit bank account. The customer deposit bank balance was \$36,477; however, the customer deposit detail report balance was \$26,500 at December 31, 2007. The difference between the bank balance and the detail reports was \$9,977.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

UTILITY BILL PENALTIES NOT CHARGED AND SHUT OFFS NOT PERFORMED

The District has established a policy for bill payment. If a payment is not received by the 20th of the month, a late charge will be assessed on the unpaid balance. During his term, a board member was not charged penalties totaling \$223 in accordance with this policy. The policy also states that water service on delinquent accounts will be terminated on the 10th day of the month following the due date. During his term, this board member's service was not shut off in accordance with this policy nor did he pay shut off fees totaling \$360.

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)

ADVANCE PAYMENT OF SALARIES

The District pays salaries for work through the date of the payroll check. This results in the possibility of employees receiving compensation prior to earning it.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Indiana Code 5-7-3-1 states: "(a) Public officers may not draw or receive salaries in advance. (b) This section does not prohibit a payment under IC 36-4-8-9."

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONTRIBUTIONS TO UNAUTHORIZED PENSION PLAN

As noted in prior reports, on July 19, 1995, the Board of Directors approved a Simplified Employee Pension Program (SEP) for District employees beginning August 1, 1995. They also approved employer contributions by the District of 4%. In the previous reports, officials were informed that there was no statutory authority for the SEP plan and they were advised to discontinue all employer contributions to the plan. The employer contributions to the SEP plan since its inception are \$88,616, including contributions of \$9,451.58 and \$9,187.41 in 2006 and 2007, respectively.

Political subdivisions may participate in the Public Employees' Retirement Fund. The benefits specified in IC 5-10.2 provide the retirement, disability, and survivor benefits for public employees. This is the only retirement plan in which political subdivisions may participate unless the unit established a pension plan before January 1, 1995. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

VALPARAISO LAKES AREA CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2009, with Mark Ennes, Chairman of the Board of Directors; Katherine Kostantios, Financial Secretary; Robert A. Minarich, General Manager; and David Hollenbeck, Attorney.