

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

EXAMINATION REPORT  
OF  
WHITE OAK CONSERVANCY DISTRICT  
PORTER COUNTY, INDIANA  
January 1, 2008 to December 31, 2010



**FILED**  
04/13/2011



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OFFICIALS

Office

Official

Term

Financial Clerk

Betty Feldt  
Cherie Vogel

01-01-08 to 10-01-10  
10-02-10 to 12-31-11

Chairman of the Board of Directors

John Hack

01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WHITE OAK CONSERVANCY DISTRICT, PORTER COUNTY, INDIANA

We have examined the financial information presented herein of the White Oak Conservancy District (District), for the period of January 1, 2008 to December 31, 2010. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

We were unable to verify the financial information presented for the period of January 1, 2008 to December 31, 2010. Customer collections could not be verified because the District failed to produce supporting documentation for customer payments.

Since records were not available as described in the preceding paragraph, and we were unable to apply alternative examination procedures, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information of the District for the years ended December 31, 2008, 2009, and 2010.

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

February 7, 2011

WHITE OAK 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, 2008, 2009, And 2010

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Fund:				
General	\$ 15,808	\$ 61,127	\$ 42,566	\$ 34,369
Proprietary Funds:				
Water Operating	187	65,351	65,302	236
Wastewater Operating	<u>372,339</u>	<u>158,426</u>	<u>155,865</u>	<u>374,900</u>
Totals	<u>\$ 388,334</u>	<u>\$ 284,904</u>	<u>\$ 263,733</u>	<u>\$ 409,505</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Fund:				
General	\$ 34,369	\$ 283,894	\$ 266,165	\$ 52,098
Proprietary Funds:				
Water Operating	236	150,668	64,635	86,269
Wastewater Operating	<u>374,900</u>	<u>186,521</u>	<u>253,842</u>	<u>307,579</u>
Totals	<u>\$ 409,505</u>	<u>\$ 621,083</u>	<u>\$ 584,642</u>	<u>\$ 445,946</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Governmental Fund:				
General	\$ 52,098	\$ 55,003	\$ 14,120	\$ 92,981
Proprietary Funds:				
Water Operating	86,269	33,954	94,968	25,255
Wastewater Operating	<u>307,579</u>	<u>239,645</u>	<u>220,855</u>	<u>326,369</u>
Totals	<u>\$ 445,946</u>	<u>\$ 328,602</u>	<u>\$ 329,943</u>	<u>\$ 444,605</u>

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

WHITE OAK CONSERVANCY DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides for the distribution of potable water and the collection and treatment of sewage and other liquid waste.

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. All property taxes collected by the County Treasurer and available for distribution were distributed to the District on or prior to December 31 of the year collected.

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.

WHITE OAK CONSERVANCY DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bond of 2002, Series A	\$ 857,000	\$ 13,000
Waterworks Revenue Bond of 2003	<u>228,000</u>	<u>3,000</u>
Total Water Utility	<u>\$ 1,085,000</u>	<u>\$ 16,000</u>

WHITE OAK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS

OPINION MODIFICATION

A qualification of opinion was issued on the financial schedules for the years 2008, 2009, and 2010. We were unable to verify the financial information for the collection of receipts since the District failed to produce the payment stubs. No other supporting documentation, such as a detail of customers who paid on a particular day, was available.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND

As stated in prior reports, the Financial Clerk's official bond was not filed in the Office of the County Recorder as required.

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

PRESCRIBED FORMS

The following prescribed or approved general and utility forms were not in use:

- 313C Register of Daily Cash Receipts - Consumers Water and Sewage Utility Combined
- 319 Simplified Cash Journal Water Utility - (Class C)
- 322 Consumer's Ledger - Municipal Water and Sewage Utility Combined
- 323 Simplified Cash Journal - Municipal Sewage Utility
- 350 Register of Investments
- 352 Receipt
- 353 Check
- 354 Claim
- 358 Ledger of Receipts, Disbursements and Balances
- 359 Ledger of Appropriations, Encumbrances, Disbursements and Balances

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)

PUBLIC RECORDS RETENTION

Sewer customer payment coupon stubs were not presented for examination.

Also, the following bank statements were not available:

WHITE OAK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

1. January through November 2008 for the sewer, water and general bank accounts
2. January through June 2009 for the water bank account
3. January through November 2009 for the sewer and general bank accounts
4. January through April 2010 for the sewer bank account
5. January 2010 for water and general bank accounts

IC 5-15-6-3(f) concerning destruction of public records, states in part:

"Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 12)

#### ACCOUNTING FOR INVESTMENTS

The District invested in Certificates of Deposit. These investments were not entered on Prescribed Form 350, Register of Investments. Purchases and sales of investments were not posted to the ledgers. In addition, we noted that interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

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)

#### 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.

IC 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:

WHITE OAK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (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, IC 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)."

DELINQUENT WASTEWATER ACCOUNTS

As stated in prior reports, the district did not comply with state statutes concerning delinquent wastewater accounts. Fees and penalties due and unpaid for at least 90 days had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 14-33-5-21(b) states in part:

"(b) In the same manner as provided by Indiana Code 36-9-23, the rates or charges made, assessed, or established by the district are a lien on a lot, parcel of land, or building that is connected with or uses the works by or through any part of the sewage system of the district. The liens:

- (1) Attach;
- (2) Are recorded;
- (3) Are subject to the same penalties, interest, and reasonable attorney's fees on recovery; and
- (4) Shall be collected and enforced;

in substantially the same manner as provided in Indiana Code 36-9-23-31 through Indiana Code 36-9-23-32."

WHITE OAK CONSERVANCY DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DISBURSEMENTS

Of the 2010 disbursements selected for review, 56% were not supported by invoices and 88% were not approved by the District Board. Also, 12% of the disbursements did not have evidence that the goods or services were received or that there had been authorization to purchase.

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for which amounts are claimed, including the nature, name, and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim, may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WHITE OAK CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2011, with John Hack, Chairman of the Board of Directors; David Hollenbeck, Board Attorney; and Cherie Vogel, Financial Clerk. The official response has been made a part of this report and may be found on pages 12 through 15.



**BLACHLY, TABOR, BOZIK & HARTMAN, LLC**

February 15, 2011

David L. Hollenbeck  
 Thomas F. Macke  
 Randall J. Zromkoski  
 Craig R. Van Schouwen  
 Patrick Lyp  
 Jeffrey S. Wrigge

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

Tracey S. Wetzstein  
 Ethan S. Lowe  
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RE: 2008/2010 Audit Findings for White Oak Conservancy District

OF COUNSEL  
 Glenn J. Tabor  
 James S. Bozik  
 Duane W. Hartman  
 Kingsley G. Regnier

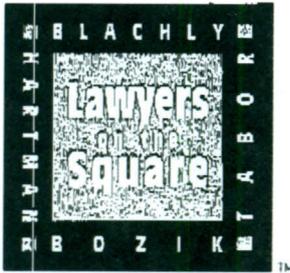
Dear Mr. Hartman:

Quentin A. Blachly  
 (1934-1997)

I initiate this correspondence in my capacity as legal counsel to the Governing Board of the White Oak Conservancy District and in conjunction with your agency's recent completion of an audit for the period of January 1, 2008 through December 31, 2010. WOCD Governing Board John Hack, recently hired Financial Clerk/Secretary Cherie Vogel and myself met with your auditor for the exit conference on February 7. As I indicated at the conclusion of that exit conference, WOCD would be exercising its right to provide your agency with comments regarding the examination results. Please consider this correspondence the WOCD response to the auditor's comments. I would ask that this response be made part of the public record created by your agency's audit.

Before I comment on the specific audit findings, I wanted to share with you the circumstances which substantially impacted on the condition of the WOCD books and records. Betty Feldt served as the WOCD Financial Clerk/Secretary for more than ten years. WOCD does not have an office. Betty performed the Financial Clerk/Secretary responsibilities from her home. She provided efficient and cost effective accounting services to WOCD for many years. Unfortunately, Betty contracted Amyotrophic Lateral Sclerosis. Her condition began to deteriorate in early 2010. She began experiencing mental lapses and the quality of her work significantly deteriorated. The WOCD Governing Board was reluctant to remove Betty from her position. Every effort was made to accommodate Betty's deteriorating condition and allow her to determine when she could no longer perform as the Financial Clerk. Betty resigned in October, 2010 and died in January, 2011.

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**BLACHLY, TABOR, BOZIK & HARTMAN, LLC**

Mr. Hartman  
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Ms. Cherie Vogel was hired by the WOCD Governing Board and has spent an appreciable amount of time and effort resolving many of the matters raised in the audit findings. Ms. Vogel has successfully computerized the WOCD records and WOCD authorized her to work with representatives of the office of Karl Cender to alleviate most if not all of the accounting discrepancies.

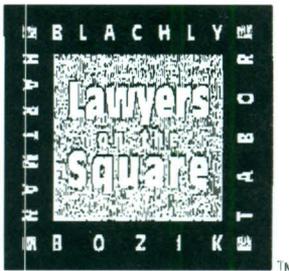
By way of response to the specific examination results and comments, I would make the following observations.:

1) Official Bond

In past years the WOCD Financial Clerk was covered by an official bond although it was not filed in the Office of the County Recorder. Obviously, failure to file the bond does not affect its validity. Since the resignation and death of Betty Feldt, WOCD is attempting to determine whether separate official bonds are needed to comply with the Conservancy District statute and the requirements of the Rural Development Agency loan criteria. Once that occurs, the official bond will be recorded.

2) Prescribed Forms

WOCD is a relatively small sanitary sewer utility and Betty Feldt utilized forms that were similar to those identified in the examination comment. The computerization of the WOCD records has also contributed to creating forms which meet or exceed the requirements. The WOCD Governing Board will again examine the status of the form compliance and will continue to work toward an acceptable resolution.



## BLACHLY, TABOR, BOZIK & HARTMAN, LLC

Mr. Hartman  
Page Three

### 3) Public Records Retention

The customer payment coupon stubs were inadvertently discarded with many of the very old records secured from Betty Feldt when she resigned as the Financial Clerk. Cherie Vogel has started retaining the customer coupons and will make them available for subsequent audits. Contact has been made with WOCD Financial institution (bank) and all bank statements are now available and will continue to be available for future audits.

### 4) Accounting for Investments

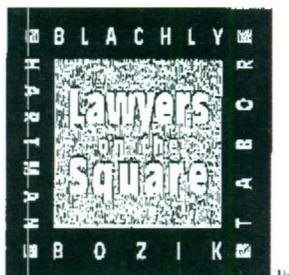
With the help of your agency, Cherie Vogel has completed the task of establishing the appropriate accounting records for WOCD investments. Obviously, this practice will be continued.

### 5) Optical Images of Warrants

In consulting with the WOCD financial institution (bank) arrangements have been made so as to secure from the bank sufficient check documentation so as to comply with the audit finding.

### 6) Delinquent Wastewater Accounts

WOCD has utilized small claims court as the best way to collect delinquent customer accounts. Use of small claims court was initiated because Porter County failed to have a delinquent tax sale for many years. Utilizing the recording of the delinquent customer accounts and the creation of a lien would have significantly delayed collection of the delinquent accounts. Some of these accounts would have been more than three years old before they could be collected through the delayed delinquent property tax sale process. That being said, Porter County did have a delinquent real estate property tax sale in October of 2010. WOCD will revert to utilization of the lien reporting procedure upon an indication from Porter County that the delinquent property tax sale process will be occurring on an annual basis.

**BLACHLY, TABOR, BOZIK & HARTMAN, LLC**

Mr. Hartman  
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7) Disbursements

Betty Feldt had WOCD Board Members sign the invoices and bills after they were approved at a public meeting. Betty Feldt did not use an individualized claim form for each invoice nor did she prepare a claims docket. WOCD has very few monthly bills and they are the same recurring bills every month. Cherie Vogel has "tightened up" the bill paying process and is preparing the claim forms and claim docket in compliance with the audit findings.

Betty Feldt's deteriorating physical and mental condition caused by the ALS was a significant contributing factor in most if not all of the audit findings. Cherie Vogel has implemented reforms which alleviate most of the concerns expressed in the audit. WOCD will continue to work with its new Financial Clerk/Secretary in fulfillment of its responsibility to protect and preserve the integrity of the Conservancy District finances.

Sincerely,

BLACHLY TABOR BOZIK & HARTMAN  
Attorneys at Law

By:   
David L. Hollenbeck

DLH/clv