

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

THIRTY-NINE NORTH CONSERVANCY DISTRICT

LAPORTE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
03/26/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3-4
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Susan E. Knoll	01-01-10 to 12-31-13
President of the Board	John H. Knoll	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE THIRTY-NINE NORTH CONSERVANCY
DISTRICT, LAPORTE COUNTY, INDIANA

We have examined the accompanying financial statements of the Thirty-Nine North Conservancy District (District), for the period of January 1, 2010 to December 31, 2011. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2011.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2011, on the basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

February 22, 2013

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the District. The financial statements and notes are presented as intended by the District.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 70,236	\$ 496,923	\$ 503,034	\$ 64,125
Water Utility Operating	51,734	181,154	52,425	180,463
Wastewater Utility Operating	48,247	178,201	89,392	137,056
Wastewater Utility Bond & Interest	<u>5,866</u>	<u>126,708</u>	<u>132,414</u>	<u>160</u>
Totals	<u>\$ 176,083</u>	<u>\$ 982,986</u>	<u>\$ 777,265</u>	<u>\$ 381,804</u>

The notes to the financial statements are an integral part of this statement.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 64,125	\$ 283,961	\$ 329,418	\$ 18,668
Wastewater Utility Operating	137,056	105,501	95,906	146,651
Wastewater Utility Bond & Interest	160	159,556	7,823	151,893
Water Utility Operating	<u>180,463</u>	<u>82,903</u>	<u>61,610</u>	<u>201,756</u>
Totals	<u>\$ 381,804</u>	<u>\$ 631,921</u>	<u>\$ 494,757</u>	<u>\$ 518,968</u>

The notes to the financial statements are an integral part of this statement.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statements present the financial information for the District.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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. Risk Management

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Restatements

For the year ended December 31, 2010, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity to include investment balances of the District. The following schedule presents a summary of restated beginning balances.

Fund Name	Balance as of December 31, 2009	Prior Period Adjustment	Balance as of January 1, 2010
General	\$ 5,236	\$ 65,000	\$ 70,236
Water Operating	4,134	47,600	51,734
Wastewater Operating	5,847	42,400	48,247

Note 7. Subsequent Events

LaPorte County has been unable to establish approved assessment amounts for county-wide properties for the past several years. This has caused delays in the billing and collection of property taxes. The billing of property taxes over the past several years has been on a "provisional" type basis. Once approved assessment amounts are established then "reconciling" type bills are distributed and a final settlement of taxes to governmental units is made. The final due date for the 10 Pay 11 reconciling property tax bills was February 14, 2013. The County is expecting to settle these taxes to governmental units in March 2013.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

These delays and uncertainties have resulted in a lower than budgeted property tax collection rate for units of government within LaPorte County. It is undetermined how much property tax collections the County will receive once all the reconciliation bills have been distributed and the collections received.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the District. It is presented as intended by the District.

THIRTY-NINE NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Water Utility Operating	Wastewater Utility Operating	Wastewater Utility Bond & Interest	Totals
Cash and investments - beginning	\$ 70,236	\$ 51,734	\$ 48,247	\$ 5,866	\$ 176,083
Receipts:					
Taxes	374,170	-	-	-	374,170
Utility fees	-	83,501	99,979	125,660	309,140
Other receipts	122,753	97,653	78,222	1,048	299,676
Total receipts	<u>496,923</u>	<u>181,154</u>	<u>178,201</u>	<u>126,708</u>	<u>982,986</u>
Disbursements:					
Debt service - principal and interest	225,000	-	-	9,283	234,283
Utility operating expenses	107,304	36,225	62,806	-	206,335
Other disbursements	170,730	16,200	26,586	123,131	336,647
Total disbursements	<u>503,034</u>	<u>52,425</u>	<u>89,392</u>	<u>132,414</u>	<u>777,265</u>
Excess (deficiency) of receipts over disbursements	<u>(6,111)</u>	<u>128,729</u>	<u>88,809</u>	<u>(5,706)</u>	<u>205,721</u>
Cash and investments - ending	<u>\$ 64,125</u>	<u>\$ 180,463</u>	<u>\$ 137,056</u>	<u>\$ 160</u>	<u>\$ 381,804</u>

THIRTY-NINE NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Wastewater Utility Operating	Wastewater Utility Bond & Interest	Water Utility Operating	Totals
Cash and investments - beginning	\$ 64,125	\$ 137,056	\$ 160	\$ 180,463	\$ 381,804
Receipts:					
Taxes	283,442	-	-	-	283,442
Utility fees	-	104,921	103,823	80,471	289,215
Other receipts	519	580	55,733	2,432	59,264
Total receipts	<u>283,961</u>	<u>105,501</u>	<u>159,556</u>	<u>82,903</u>	<u>631,921</u>
Disbursements:					
Other services and charges	110	-	-	-	110
Debt service - principal and interest	327,663	-	-	-	327,663
Utility operating expenses	-	95,906	7,823	61,610	165,339
Other disbursements	1,645	-	-	-	1,645
Total disbursements	<u>329,418</u>	<u>95,906</u>	<u>7,823</u>	<u>61,610</u>	<u>494,757</u>
Excess (deficiency) of receipts over disbursements	<u>(45,457)</u>	<u>9,595</u>	<u>151,733</u>	<u>21,293</u>	<u>137,164</u>
Cash and investments - ending	<u>\$ 18,668</u>	<u>\$ 146,651</u>	<u>\$ 151,893</u>	<u>\$ 201,756</u>	<u>\$ 518,968</u>

THIRTY-NINE NORTH CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	Refunding Bonds of 2009	<u>\$ 2,060,000</u>	<u>\$ 330,763</u>

THIRTY-NINE NORTH CONSERVANCY DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Wastewater:	
Improvements other than buildings	\$ 2,247,259
Machinery, equipment and vehicles	49,928
Total Wastewater	2,297,187
Water:	
Buildings	7,913
Improvements other than buildings	2,173,148
Machinery, equipment and vehicles	21,260
Total Water	2,202,321
Total capital assets	\$ 4,499,508

THIRTY-NINE NORTH CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 22, 2013, with Susan E. Knoll, Financial Clerk, and John H. Knoll, President of the Board. Our examination disclosed no material items that warrant comment at this time.