

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

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



FILED
09/19/2011

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Katie Kostantios	01-01-08 to 12-31-11
President of the Board	Richard M. Motsinger	01-01-08 to 12-31-11



STATE OF INDIANA
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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 TWIN CREEK CONSERVANCY
DISTRICT, PORTER COUNTY, INDIANA

We were engaged to examine the financial statements of the Twin Creek Conservancy District (Conservancy District), for the years ended December 31, 2008, 2009, and 2010. These financial statements are the responsibility of the Conservancy District's management.

The Conservancy District did not present financial statements and notes for the years ended December 31, 2008, 2009, and 2010, in accordance with reporting requirements established by the State Board of Accounts. Presentation of such statements and notes summarizing the Conservancy District's financial position and the results of its operations is required by state statute (IC 5-11-1-6). In addition, the Conservancy District did not properly maintain accounting ledgers or perform bank reconciliations.

Because of the effects of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on these financial statements.

The Conservancy District's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Conservancy District's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

April 20, 2011

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FINANCIAL INFORMATION

TWIN CREEK CONSERVANCY DISTRICT
 CASH BALANCES
 ALL GOVERNMENTAL TYPES
 FOR THE YEARS ENDED DECEMBER 31, 2008, 2009 AND 2010

	Cash and Investments 12-31-08
Governmental Funds:	
General	\$ 858,484
Cumulative Improvement	336,934
Rainy Day	43,930
Totals	\$ 1,239,348

	Cash and Investments 12-31-09
Governmental Funds:	
General	\$ 749,049
Cumulative Improvement	391,977
Rainy Day	45,359
Totals	\$ 1,186,385

	Cash and Investments 12-31-10
Governmental Funds:	
General	\$ 799,295
Cumulative Improvement	452,009
Rainy Day	53,366
Totals	\$ 1,304,670

TWIN CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

INTERNAL CONTROLS

The Twin Creeks Conservancy District has not maintained a ledger of receipts, disbursements, and balances for the calendar years ending December 31, 2008, 2009, and 2010. We were unable to verify the transactions for receipts and disbursements of the District. The ending balances were compiled from the bank statements. A similar comment has appeared in prior reports.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORTS

The Special District Annual Report (SDAR) required by Indiana Code 5-11-1-4 discloses the cash transactions of the Conservancy District. The SDAR has not been prepared by the Conservancy District for the years 2008, 2009, and 2010. A similar comment has appeared in prior reports

Indiana Code 5-11-1-4 (a) states:

"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 sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit. A similar comment has appeared in prior reports.

Indiana Code 5-13-6-1(e) states:

"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."

TWIN CREEK CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

RECEIPT ISSUANCE

Receipts were not issued for interest. The receipts for county tax distributions did not indicate what amounts were attributable to the individual funds.

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)

ERRORS ON CLAIMS

Twenty-five percent of the claims reviewed were not accompanied by complete supporting documentation. Documentation indicating hours worked by date were not provided. Therefore, we could not determine if the correct amount had been paid.

Indiana Code 5-11-10-1.6 states in part:

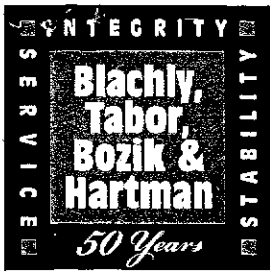
"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) 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; . . ."

TWIN CREEK CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2011, with Richard M. Motsinger, President of the Board; Katie Kostantios, Financial Clerk; and David Hollenbeck, Board Attorney. The Official Response has been made a part of this report and may be found on pages 10 and 11.



BLACHLY, TABOR, BOZIK & HARTMAN, LLC

April 28, 2011

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

✉

Tracey S. Wetzstein
Ethan S. Lowe
Jason M. Denny
Scott R. Bozik

✉

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

✉

Quentin A. Blachly
(1934-1997)

Glenn J. Tabor
(Retired)

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

RE: Twin Creeks Conservancy District Audit

Dear Mr. Hartman:

I initiate this correspondence in my capacity as legal counsel to the Governing Board of the Twin Creeks Conservancy District and in conjunction with the results and comments contained in the recently completed audit of the Conservancy District. My comments will follow the audit findings.

References made in the office to "internal controls" indicating that the auditor was unable to verify the transactions for receipts and disbursements of the District. The auditor indicates that TCCD failed to maintain a ledger of receipts, disbursements and balances for the calendar years ending December 31, 2008, 2009 and 2010. In discussing this matter with TCCD Financial Clerk Katie Kostantios, I am advised that the records were maintained but in an alternate format. That being said, I have discussed the matter with Katie and she will be adjusting her accounting practices so as to comply with the audit finding. Specifically, ending balances will no longer be compiled from bank statements.

The second audit finding concerns the Special District Annual Report (SDAR) as required by IC 5-14-1-4. This report discloses the cash transactions of the Conservancy District. The auditor found that the SDAR had not been prepared by the Conservancy District for the years 2008, 2009 and 2010. Again, TCCD Financial Clerk Katie Kostantios indicates that to the best of her knowledge, information and belief, the SDAR reports were previously prepared and filed with the appropriate state agency. I am in the process of investigating that matter and to the extent that the reports have not been filed, TCCD is committed to completing that task and complying with the requirement.

56 South Washington, Suite 401
Valparaiso, IN 46383
219.464.1041 phone
219.464.0927 fax
✉
Merrillville Office
219.738.2824
✉
Fort Wayne Office
260.459.3288



BLACHLY, TABOR, BOZIK & HARTMAN, LLC

Mr. Hartman
Page Two

The third finding involved "bank account reconciliations". The audit finding indicates that depository reconciliations of the fund balances to the bank account balances were not presented for audit. TCCD Financial Clerk Katie Kostantios indicates that fund balances were reconciled to the bank account balances but that the documentation is admittedly inadequate. TCCD Financial Clerk Katie Kostantios has been instructed to implement strategies which will clearly provide full compliance with this requirement.

The fourth finding involves the absence of receipts for interest and that the receipts for the Porter County tax distributions did not indicate what amount was attributable to the individual funds. TCCD receives a real estate property tax distribution semi-annually from the Porter County Auditor. The distribution takes the form of one check. That check must be divided between the general fund and the cumulative improvement fund. I make that calculation and forward correspondence to the Governing Board and to the Financial Clerk indicating how those monies should be allocated. That correspondence provides the basis for the allocation and has been acceptable to previous auditors. That being said, I have instructed the Financial Clerk to attach a copy of my correspondence to the receipt for purposes of documenting the appropriate distribution between the general fund and the cumulative improvement fund.

The last audit finding involves "errors on claims" which indicates that the claims approved by the Board were not sufficiently documented in that the claims for legal services did not have each entry broken down on a hourly basis. The total amount of the claim was designated and the total amount due was contained on each claim. The issue becomes what IC5-11-10-1.6 means when it says a claim shall be fully itemized. I believe that this matter can be debated and that in most instances the claims for professional services (legal and engineering) do comply with the level of specificity required by the statute. That being said, I will work with the District Engineer to accommodate the audit finding.