

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

PRETTY LAKE CONSERVANCY DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED

04/04/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the Board of Directors	Erwin D. Marohn	01-01-10 to 12-31-14
Treasurer	Jane Harris John W. Oliver	01-01-10 to 12-31-10 01-01-11 to 12-31-14



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE PRETTY LAKE CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

We have examined the accompanying financial statements of the Pretty Lake Conservancy District (District), for the period of January 1, 2010 to December 31, 2012. 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 Indiana 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, 2012.

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, 2012, on the basis of accounting described in Note 1.

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 Payables and Receivables, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 6, 2014

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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.

PRETTY LAKE 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
Wastewater Operating	\$ 64,056	\$ 144,796	\$ 144,314	\$ 64,538
Rd Bond & Interest	37,038	74,745	74,173	37,610
Debt Reserve	28,323	7,403	-	35,726
Totals	<u>\$ 129,417</u>	<u>\$ 226,944</u>	<u>\$ 218,487</u>	<u>\$ 137,874</u>

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

PRETTY LAKE 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
Pretty Lake Conservancy District Wastewater Operating	\$ 64,538	\$ 162,326	\$ 150,472	\$ 76,392
Pretty Lake Conservancy District RD Bond & Interest	37,610	74,141	74,450	37,301
Pretty Lake Conservancy District Debt Reserve	35,726	7,403	-	43,129
Pretty Lake Conservancy District Equipment Reserve	-	9,840	-	9,840
Totals	<u>\$ 137,874</u>	<u>\$ 253,710</u>	<u>\$ 224,922</u>	<u>\$ 166,662</u>

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

PRETTY LAKE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Pretty Lake Conservancy District Wastewater Operating	\$ 76,392	\$ 150,297	\$ 136,021	\$ 90,668
Pretty Lake Conservancy District RD Bond & Interest	37,301	73,399	73,708	36,992
Pretty Lake Conservancy District Debt Reserve	43,129	7,403	-	50,532
Pretty Lake Conservancy District Equipment Reserve	<u>9,840</u>	<u>7,200</u>	<u>7,600</u>	<u>9,440</u>
Totals	<u>\$ 166,662</u>	<u>\$ 238,299</u>	<u>\$ 217,329</u>	<u>\$ 187,632</u>

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

PRETTY LAKE 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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 include the following sources:

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 include the following uses:

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

PRETTY LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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 3. 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.

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.

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

	Wastewater Operating	Rd Bond & Interest	Debt Reserve	Totals
Cash and investments - beginning	\$ 64,056	\$ 37,038	\$ 28,323	\$ 129,417
Receipts:				
Utility fees	144,796	-	-	144,796
Other receipts	-	74,745	7,403	82,148
Total receipts	144,796	74,745	7,403	226,944
Disbursements:				
Debt service - principal and interest	-	74,173	-	74,173
Utility operating expenses	62,166	-	-	62,166
Other disbursements	82,148	-	-	82,148
Total disbursements	144,314	74,173	-	218,487
Excess of receipts over disbursements	482	572	7,403	8,457
Cash and investments - ending	\$ 64,538	\$ 37,610	\$ 35,726	\$ 137,874

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

	Pretty Lake Conservancy District <u>Wastewater Operating</u>	Pretty Lake Conservancy District <u>RD Bond & Interest</u>	Pretty Lake Conservancy District <u>Debt Reserve</u>	Pretty Lake Conservancy District <u>Equipment Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 64,538	\$ 37,610	\$ 35,726	\$ -	\$ 137,874
Receipts:					
Utility fees	162,326	-	-	-	162,326
Other receipts	-	74,141	7,403	9,840	91,384
Total receipts	<u>162,326</u>	<u>74,141</u>	<u>7,403</u>	<u>9,840</u>	<u>253,710</u>
Disbursements:					
Debt service - principal and interest	-	74,450	-	-	74,450
Capital outlay	7,737	-	-	-	7,737
Utility operating expenses	53,991	-	-	-	53,991
Other disbursements	88,744	-	-	-	88,744
Total disbursements	<u>150,472</u>	<u>74,450</u>	<u>-</u>	<u>-</u>	<u>224,922</u>
Excess (deficiency) of receipts over disbursements	<u>11,854</u>	<u>(309)</u>	<u>7,403</u>	<u>9,840</u>	<u>28,788</u>
Cash and investments - ending	<u>\$ 76,392</u>	<u>\$ 37,301</u>	<u>\$ 43,129</u>	<u>\$ 9,840</u>	<u>\$ 166,662</u>

PRETTY LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Pretty Lake Conservancy District <u>Wastewater Operating</u>	Pretty Lake Conservancy District <u>RD Bond & Interest</u>	Pretty Lake Conservancy District <u>Debt Reserve</u>	Pretty Lake Conservancy District <u>Equipment Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 76,392	\$ 37,301	\$ 43,129	\$ 9,840	\$ 166,662
Receipts:					
Utility fees	150,297	-	-	-	150,297
Other receipts	-	73,399	7,403	7,200	88,002
Total receipts	<u>150,297</u>	<u>73,399</u>	<u>7,403</u>	<u>7,200</u>	<u>238,299</u>
Disbursements:					
Capital outlay	2,507	-	-	7,600	10,107
Utility operating expenses	45,512	-	-	-	45,512
Other disbursements	88,002	73,708	-	-	161,710
Total disbursements	<u>136,021</u>	<u>73,708</u>	<u>-</u>	<u>7,600</u>	<u>217,329</u>
Excess (deficiency) of receipts over disbursements	<u>14,276</u>	<u>(309)</u>	<u>7,403</u>	<u>(400)</u>	<u>20,970</u>
Cash and investments - ending	<u>\$ 90,668</u>	<u>\$ 36,992</u>	<u>\$ 50,532</u>	<u>\$ 9,440</u>	<u>\$ 187,632</u>

PRETTY LAKE CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Pretty Lake Conservancy District	<u>\$ 36,576</u>	<u>\$ 4,500</u>

PRETTY LAKE CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Pretty Lake Conservancy District:			
General obligation bonds	Sewer	\$ 1,337,000	\$ 73,965

PRETTY LAKE CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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.

	<u>Ending Balance</u>
Pretty Lake Conservancy District: Infrastructure	<u>\$ 1,337,000</u>

PRETTY LAKE CONSERVANCY DISTRICT
EXAMINATION RESULT AND COMMENT

ANNUAL REPORTS

The Annual Reports filed for 2010, 2011, and 2012 contained a number of errors and did not properly reflect the financial activity of the Pretty Lake Conservancy District. Adjustments were proposed, accepted by the District, and made to the reports presented here.

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 in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

PRETTY LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 6, 2014, with Erwin D. Marohn, President of the Board of Directors. The official concurred with our finding.