

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

39 NORTH CONSERVANCY DISTRICT

LAPORTE COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED

04/27/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Susan E. Knoll	01-01-12 to 12-31-17
President of the Board	John H. Knoll	01-01-12 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE 39 NORTH CONSERVANCY DISTRICT, LAPORTE COUNTY, INDIANA

We have examined the accompanying financial statements of the 39 North Conservancy District (District), for the period of January 1, 2012 to December 31, 2016. The District's management is responsible for the financial statements. 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 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 to the financial statements, 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.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present, 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, 2012 to December 31, 2016.

In our opinion, the financial statements referred to above present, in all material respects, the financial position and results of operations of the District for the period of January 1, 2012 to December 31, 2016, based on the prescribed 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

April 24, 2017

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FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

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39 NORTH CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General Fund	\$ 18,668	\$ 434,965	\$ 351,445	\$ 102,188	\$ 222,670	\$ 322,418	\$ 2,440
Wastewater Utility - Operating	146,651	95,755	70,863	171,543	87,429	76,874	182,098
Wastewater Utility - Bond & Interest	151,893	79,378	91,098	140,173	102,612	4,312	238,473
Water Utility - Operating	<u>201,756</u>	<u>76,477</u>	<u>63,269</u>	<u>214,964</u>	<u>69,954</u>	<u>56,112</u>	<u>228,806</u>
Totals	<u>\$ 518,968</u>	<u>\$ 686,575</u>	<u>\$ 576,675</u>	<u>\$ 628,868</u>	<u>\$ 482,665</u>	<u>\$ 459,716</u>	<u>\$ 651,817</u>

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

39 NORTH CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
General Fund	\$ 2,440	\$ 536,747	\$ 318,423	\$ 220,764	\$ 873,267	\$ 873,623	\$ 220,408
Wastewater Utility - Operating	182,098	92,046	80,390	193,754	95,822	187,336	102,240
Wastewater Utility - Bond & Interest	238,473	73,417	1,300	310,590	70,313	320,728	60,175
Water Utility - Operating	<u>228,806</u>	<u>70,069</u>	<u>67,943</u>	<u>230,932</u>	<u>69,127</u>	<u>205,919</u>	<u>94,140</u>
Totals	<u>\$ 651,817</u>	<u>\$ 772,279</u>	<u>\$ 468,056</u>	<u>\$ 956,040</u>	<u>\$ 1,108,529</u>	<u>\$ 1,587,606</u>	<u>\$ 476,963</u>

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

39 NORTH CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
General Fund	\$ 220,408	\$ 294,780	\$ 514,535	\$ 653
Wastewater Utility - Operating	102,240	201,499	221,308	82,431
Wastewater Utility - Bond & Interest	60,175	92,500	17,742	134,933
Water Utility - Operating	<u>94,140</u>	<u>198,608</u>	<u>66,604</u>	<u>226,144</u>
Totals	<u>\$ 476,963</u>	<u>\$ 787,387</u>	<u>\$ 820,189</u>	<u>\$ 444,161</u>

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

39 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 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:

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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:

39 NORTH CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

39 NORTH CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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, the following: 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.

OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Report information 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 District's Annual Financial Report 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 other information presented was approved by management of the District. It is presented as intended by the District.

39 NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	General Fund	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 18,668	\$ 146,651	\$ 151,893	\$ 201,756	\$ 518,968
Receipts:					
Taxes	324,206	-	-	-	324,206
Utility fees	-	95,176	79,106	75,696	249,978
Other receipts	110,759	579	272	781	112,391
Total receipts	<u>434,965</u>	<u>95,755</u>	<u>79,378</u>	<u>76,477</u>	<u>686,575</u>
Disbursements:					
Personal services	-	1,085	-	1,085	2,170
Other services and charges	368	2,467	-	2,467	5,302
Debt service - principal and interest	330,763	-	-	-	330,763
Utility operating expenses	-	67,311	91,098	59,616	218,025
Other disbursements	20,314	-	-	101	20,415
Total disbursements	<u>351,445</u>	<u>70,863</u>	<u>91,098</u>	<u>63,269</u>	<u>576,675</u>
Excess (deficiency) of receipts over disbursements	<u>83,520</u>	<u>24,892</u>	<u>(11,720)</u>	<u>13,208</u>	<u>109,900</u>
Cash and investments - ending	<u>\$ 102,188</u>	<u>\$ 171,543</u>	<u>\$ 140,173</u>	<u>\$ 214,964</u>	<u>\$ 628,868</u>

39 NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	General Fund	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 102,188	\$ 171,543	\$ 140,173	\$ 214,964	\$ 628,868
Receipts:					
Taxes	222,062	-	-	-	222,062
Utility fees	-	87,069	72,734	69,491	229,294
Other receipts	608	360	29,878	463	31,309
Total receipts	<u>222,670</u>	<u>87,429</u>	<u>102,612</u>	<u>69,954</u>	<u>482,665</u>
Disbursements:					
Personal services	-	1,338	-	1,338	2,676
Other services and charges	55	2,496	-	2,496	5,047
Debt service - principal and interest	322,363	-	-	-	322,363
Utility operating expenses	-	73,040	4,312	52,278	129,630
Other disbursements	-	-	-	-	-
Total disbursements	<u>322,418</u>	<u>76,874</u>	<u>4,312</u>	<u>56,112</u>	<u>459,716</u>
Excess (deficiency) of receipts over disbursements	<u>(99,748)</u>	<u>10,555</u>	<u>98,300</u>	<u>13,842</u>	<u>22,949</u>
Cash and investments - ending	<u>\$ 2,440</u>	<u>\$ 182,098</u>	<u>\$ 238,473</u>	<u>\$ 228,806</u>	<u>\$ 651,817</u>

39 NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General Fund	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 2,440	\$ 182,098	\$ 238,473	\$ 228,806	\$ 651,817
Receipts:					
Taxes	536,150	-	-	-	536,150
Utility fees	-	90,458	72,852	68,380	231,690
Other receipts	597	1,588	565	1,689	4,439
Total receipts	<u>536,747</u>	<u>92,046</u>	<u>73,417</u>	<u>70,069</u>	<u>772,279</u>
Disbursements:					
Personal services	-	1,071	-	1,071	2,142
Other services and charges	60	2,493	-	2,493	5,046
Debt service - principal and interest	318,363	-	-	-	318,363
Utility operating expenses	-	76,826	1,300	64,379	142,505
Other disbursements	-	-	-	-	-
Total disbursements	<u>318,423</u>	<u>80,390</u>	<u>1,300</u>	<u>67,943</u>	<u>468,056</u>
Excess (deficiency) of receipts over disbursements	<u>218,324</u>	<u>11,656</u>	<u>72,117</u>	<u>2,126</u>	<u>304,223</u>
Cash and investments - ending	<u>\$ 220,764</u>	<u>\$ 193,754</u>	<u>\$ 310,590</u>	<u>\$ 230,932</u>	<u>\$ 956,040</u>

39 NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	General Fund	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 220,764	\$ 193,754	\$ 310,590	\$ 230,932	\$ 956,040
Receipts:					
Taxes	319,026	-	-	-	319,026
Utility fees	-	94,868	68,404	68,085	231,357
Other receipts	554,241	954	1,909	1,042	558,146
Total receipts	<u>873,267</u>	<u>95,822</u>	<u>70,313</u>	<u>69,127</u>	<u>1,108,529</u>
Disbursements:					
Personal services	-	1,108	-	1,108	2,216
Other services and charges	60	2,151	-	2,151	4,362
Debt service - principal and interest	873,563	-	-	-	873,563
Utility operating expenses	-	80,077	1,728	72,660	154,465
Other disbursements	-	104,000	319,000	130,000	553,000
Total disbursements	<u>873,623</u>	<u>187,336</u>	<u>320,728</u>	<u>205,919</u>	<u>1,587,606</u>
Excess (deficiency) of receipts over disbursements	<u>(356)</u>	<u>(91,514)</u>	<u>(250,415)</u>	<u>(136,792)</u>	<u>(479,077)</u>
Cash and investments - ending	<u>\$ 220,408</u>	<u>\$ 102,240</u>	<u>\$ 60,175</u>	<u>\$ 94,140</u>	<u>\$ 476,963</u>

39 NORTH CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	General Fund	Wastewater Utility - Operating	Wastewater Utility - Bond & Interest	Water Utility - Operating	Totals
Cash and investments - beginning	\$ 220,408	\$ 102,240	\$ 60,175	\$ 94,140	\$ 476,963
Receipts:					
Taxes	277,082	-	-	-	277,082
Utility fees	-	95,828	74,026	66,835	236,689
Other receipts	17,698	105,671	18,474	131,773	273,616
Total receipts	<u>294,780</u>	<u>201,499</u>	<u>92,500</u>	<u>198,608</u>	<u>787,387</u>
Disbursements:					
Personal services	-	1,306	-	1,306	2,612
Other services and charges	560	1,898	-	1,898	4,356
Debt service - principal and interest	279,975	-	-	-	279,975
Utility operating expenses	-	218,104	1,242	63,400	282,746
Other disbursements	234,000	-	16,500	-	250,500
Total disbursements	<u>514,535</u>	<u>221,308</u>	<u>17,742</u>	<u>66,604</u>	<u>820,189</u>
Excess (deficiency) of receipts over disbursements	<u>(219,755)</u>	<u>(19,809)</u>	<u>74,758</u>	<u>132,004</u>	<u>(32,802)</u>
Cash and investments - ending	<u>\$ 653</u>	<u>\$ 82,431</u>	<u>\$ 134,933</u>	<u>\$ 226,144</u>	<u>\$ 444,161</u>

39 NORTH CONSERVANCY DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 21,946	\$ 4,043
Water	6,908	231,696
Governmental activities	-	-
Totals	\$ 28,854	\$ 235,739

39 NORTH CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: General obligation bonds	Conservancy District Refunding Bonds Series 2009	\$ 270,000	\$ 283,500
Totals		<u>\$ 270,000</u>	<u>\$ 283,500</u>

39 NORTH CONSERVANCY DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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	27,024
Total Water	2,208,085
Total capital assets	\$ 4,505,272

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.