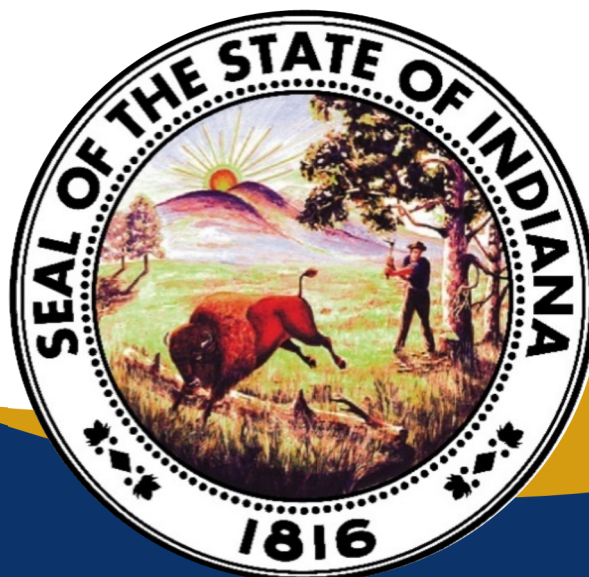


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

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

COMPLIANCE ENGAGEMENT REPORT
OF
PRIDES CREEK CONSERVANCY DISTRICT
PIKE COUNTY, INDIANA
January 1, 2020 to December 31, 2023



FILED
01/14/2025

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Compliance Report	3-4
Comments	5-7
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	10-11

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Karen Elgin	01-01-20 to 12-31-24
President of the District Board	Ronald D. Like Dennis D. Eversoll	01-01-20 to 12-31-20 01-01-21 to 12-31-24



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State Examiner

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TO: THE OFFICIALS OF THE PRIDES CREEK CONSERVANCY DISTRICT, PIKE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Prides Creek Conservancy District (District), for the period of January 1, 2020 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Karen Elgin, Financial Clerk, and Dennis D. Eversoll, President of the District Board, on December 16, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

December 8, 2024

PRIDES CREEK CONSERVANCY DISTRICT
COMMENTS

RELATED-PARTY TRANSACTIONS

Condition and Context

Internal controls were not in place to ensure compliance with laws, regulations, and Guidelines. During the period of engagement, Karen Elgin (Karen) was on the staff of the District in the capacity as Financial Clerk. She was on payroll for all the years subject to this engagement, with a yearly pay of between \$4,977 - \$6,646 annually. On or about May 9, 2018, the District entered into a contract with "D & K Elgin Consulting" (D & K), which was "indefinite" in its duration. Per the express terms of the "Consulting Agreement" (Agreement) both Karen and her husband, David Elgin (David), were authorized to bill at hourly rates of \$18.50 and \$26.50, respectively. The Agreement expressly states that Karen and David are acting as "an independent contractor and not as an employee." The following amounts were paid to D & K over the period of the engagement:

1. 2020: \$6,058
2. 2021: \$8,217
3. 2022: \$8,756
4. 2023: \$10,552

It does not appear that Karen's rate of \$18.50/hr was ever invoiced by D & K to the District under the terms of the Agreement, but rather she was paid directly through the payroll of the District.

Criteria

Indiana Code 35-31.5-2-261 defines "Public servant" as a person who:

- "(1) is authorized to perform an official function on behalf of, and is paid by, a governmental entity;
- (2) is elected or appointed to office to discharge a public duty for a governmental entity; or
- (3) with or without compensation, is appointed in writing by a public official to act in an advisory capacity to a governmental entity concerning a contract or purchase to be made by the entity.

The term does not include a person appointed by the governor to an honorary advisory or honorary military position."

Per Indiana Code 35-44.1-1-4(b) provides:

"A public servant who knowingly or intentionally:

- (1) has a pecuniary interest in; or
- (2) derives a profit from;

a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Level 6 felony."

Under Indiana Code 35-44.1-1-4(a)(1), a "Dependent" includes, "The spouse of the public servant."

PRIDES CREEK CONSERVANCY DISTRICT
COMMENTS
(Continued)

Pursuant to Indiana Code 35-44.1-1-4(c)(6), if certain public servants file a complete disclosure statement in compliance with Indiana Code 35-44.1-1-4(d), then it will not be considered an offense of the conflict of interest statute. However, pursuant to Indiana Code 35-44.1-1-4(c)(6)(A), that public servant must:

"(A) not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity, and functions and performs duties for the governmental entity unrelated to the contract or purchase."

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with requirements related to capital assets. The District had not adopted a Capital Asset Policy that detailed the threshold at which an item becomes a capital asset. The District did not properly maintain a detailed listing of capital assets during the audit period. Evidence that the District took a complete physical inventory at least every two years was not provided during the engagement. Total assets reported for in the Annual Financial Report filed via the Indiana Gateway for Government Units financial reporting system as of December 31, 2023, were \$4,018,883.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PRIDES CREEK CONSERVANCY DISTRICT
COMMENTS
(Continued)

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

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. 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](#)."

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

PRIDES CREEK CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
General Fund	\$ 69,367	\$ 72,355	\$ 38,564	\$ 103,158	\$ 78,171	\$ 53,742	\$ 127,587
Totals	<u>\$ 69,367</u>	<u>\$ 72,355</u>	<u>\$ 38,564</u>	<u>\$ 103,158</u>	<u>\$ 78,171</u>	<u>\$ 53,742</u>	<u>\$ 127,587</u>

PRIDES CREEK CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2022 and 2023

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22	Receipts	Disbursements	Cash and Investments 12-31-23
General Fund	\$ 127,587	\$ 80,975	\$ 96,050	\$ 112,512	\$ 81,885	\$ 136,478	\$ 57,919
Totals	<u>\$ 127,587</u>	<u>\$ 80,975</u>	<u>\$ 96,050</u>	<u>\$ 112,512</u>	<u>\$ 81,885</u>	<u>\$ 136,478</u>	<u>\$ 57,919</u>