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

Paul D. Joyce, CPA
State Examiner

COMPLIANCE ENGAGEMENT REPORT

OF

PINE LAKE CONSERVANCY DISTRICT

LA PORTE COUNTY, INDIANA

January 1, 2020 to December 31, 2023

FILED
05/20/2025

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SCHEDULE OF OFFICIALS

Office	Official	Term
Financial Clerk	Lisa Massey	01-01-20 to 12-31-25
Chair of the District Board	Tara Christenson	01-01-20 to 12-31-20
	Trace Ostergren	01-01-21 to 12-31-21
	Tara Christenson	01-01-22 to 12-31-22
	Norm Beles	01-01-23 to 12-31-23
	Larry Reaves	01-01-24 to 12-31-25

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TO: THE OFFICIALS OF THE PINE LAKE CONSERVANCY DISTRICT, LA PORTE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Pine Lake 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 Lisa Massey, Financial Clerk, and Norm Beles, District Board member, on May 8, 2025.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

April 15, 2025

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Internal control deficiencies resulted in noncompliance over:

- Monthly and Annual Uploads
- Bank Reconciliations
- Annual Financial Report
- Capital Assets
- Internal Control Policy and Training
- Certification of Internal Control Standards

These internal control deficiencies are further detailed in the comments below.

Criteria

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. . . ."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Internal controls were not in place for the District's required monthly and annual uploads to the Indiana Gateway for Government Units financial reporting system.

Monthly upload requirements include bank reconcilements, bank statements (effective for the required upload beginning with the December 2020 information), outstanding check listings (effective for the required upload beginning with the December 2020 information), approved District Board minutes, and funds ledgers (effective for the required upload beginning with the December 2020 information).

Annual upload requirements include the detail of receipt activity, detail of disbursement activity, annual vendor history report, and annual funds ledger. Beginning in 2023, the excel data capture and the accounts payable/receivable schedule support also became required annual uploads.

The District did not comply with the State Examiner Directive 2018-1 since the December 2020 bank statements, and the monthly bank statements for 2021, 2022, or 2023 were not uploaded as required.

Additionally, the District did not upload any of the required annual files noted above for the years of 2020, 2021, 2022, or 2023.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021; Updated October 30, 2023, effective with the December 2023 monthly uploads due February 15, 2024, and the 2023 annual uploads due March 1, 2024)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BANK RECONCILIATIONS

Condition and Context

Internal controls were not effective over the preparation of the monthly bank reconciliations prepared by the District. For each of the four years in the engagement period, there were unexplained differences between the reconciled balance and the District's records as of December 31. The differences between the District's records and the reconciled balances ranged from a cash long of $26 to a cash necessary to balance of $67 during the four-year period.

Criteria

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."

ANNUAL FINANCIAL REPORT

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. Effective internal controls were not established to ensure the accuracy and completeness of the information submitted in the AFR, which resulted in errors for capital assets, accounts receivable, and accounts payable reported as follows:

Capital Assets

The amounts reported for capital assets in each year of the engagement period did not agree to the records provided as follows:

Year	Amount per Record	Amount Reported	(Under) Over Reported
2020	$ 55,629	$ -	$ (55,629)
2021	55,629	5,000	(50,629)
2022	493,576	905,000	411,424
2023	577,438	1,005,000	427,562

Additionally, the District records did not include land for $5,000, which was reported in the AFR.

Accounts Payable and Accounts Receivable

The District is required to report, if any, amounts that are owed to the District and not yet received as accounts receivable, and amounts for goods and services that were received and used and not yet paid for as accounts payable at year end.

In 2022, the District reported the total amounts of the Operating Fund's receipts and disbursements for the year as the balances for year-end accounts receivable and accounts payable, respectively. In 2023, the District reported the total of annual receipts and disbursements as the balances for year-end accounts receivable and accounts payable, respectively. This resulted in an overstatement to accounts receivable and accounts payable reported for 2022 and 2023 in the engagement period.

Criteria

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."

CAPITAL ASSETS

Condition and Context

Internal controls were not in place to ensure compliance with capital asset requirements.

The District had not adopted a capital asset policy that detailed the threshold at which an item is considered a capital asset.

The capital asset record contained only a generator, amounts related to a vacuum costs station upgrade, and engineering for GIS. The capital asset record did not contain any land or infrastructure such as sewer lines. The District also recorded eight monthly debt principal and interest disbursements in 2022 as capital assets in addition to the costs of the system upgrade asset acquired with the debt.

The District also did not complete an inventory at least every two years as required.

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)

INTERNAL CONTROL POLICY AND TRAINING

The same comment also appeared in prior Report B55846.

Conditions and Context

The District Board did not adopt the acceptable minimum level of internal control standards and procedures, or ensure that personnel were properly trained as required under Indiana Code 5-11-1-27(g).

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

(1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and

(2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Internal controls were not in place to ensure compliance with the certification of internal control standards and training requirements. The District incorrectly certified for the years 2020, 2021, 2022, and 2023, in the Indiana Gateway for Government Units financial reporting system, that the required internal control standards had been adopted and training had been provided to appropriate personnel. However, the District had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had the personnel been trained.

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."

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

PINE LAKE 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
Horizon Replacement Fund	$ 443,117	$ 1,933	$ -	$ 445,050	$ 728	$ -	$ 445,778
Operating Fund	21,901	166,059	156,368	31,592	168,761	153,153	47,200
Totals	$ 465,018	$ 167,992	$ 156,368	$ 476,642	$ 169,489	$ 153,153	$ 492,978

PINE LAKE 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
Horizon Replacement Fund	$ 445,778	$ 366,634	$ 346,961	$ 465,451	$ 256,006	$ 493,985	$ 227,472
Operating Fund	47,200	169,246	183,470	32,976	188,391	147,963	73,404
Totals	$ 492,978	$ 535,880	$ 530,431	$ 498,427	$ 444,397	$ 641,948	$ 300,876

PINE LAKE CONSERVANCY DISTRICT
P O Box 1884
La Porte, IN 46350

PLCD

OFFICIAL RESPONSE

Date: May 18, 2025

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765

Re: Official Response

Monthly and Annual uploads-

Bank reconciliations were uploaded per the requirements to the monthly upload. In December 2020 the requirement changed to include bank statements. The district has made the necessary changes to upload all required documents. All documents were available in hard copy. In 2023 the state made a change to the annual report to upload spreadsheets on payables and receivables. The district tried to upload the excel files needed but got error messages and could not upload the documents. We have reached out for help from the state to upload the necessary documents but have not received the necessary help yet. We will keep pursuing the help needed to get the necessary required documents uploaded.

Bank Reconciliations-

Without detailed information on the audit findings for the amounts referenced, the district cannot reply as to what had taken place. All bank reconciliations have been reconciled with no discrepancies. Also, our district has an audit committee. The monthly bank statements and bank reconciliations are emailed to the committee and to all the board members. The required monthly uploads are done in a timely manner on the State Board of Accounts website.

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Annual Financial Report-

Capital Assets, the district will adopt a capital assets policy to include a threshold (to be determined). The district has completed a $500,000.00 upgrade to the system which was put in the annual report under assets. The district has reached out to the state for help on how to correctly complete this section in the annual report to correctly reflect our assets.

Internal Control Policy-

The district did the training on the internal control policy in 2016, however did not adopt the policy and submit the certification to the State Board of Accounts. The district will take corrective action and adopt the policy. The board members will be trained and complete the Certification of Internal Control Standards.

In closing, this was a four-year audit which is a lot of information to go through. All hard copies of all the required documents were delivered to the auditors, If something was missing on the SBOA website the necessary documents were available in the four boxes delivered to their office. Our district is a small unit but growing. Our board members do their due diligence to maintain an efficient running system.

Sincerely,

Lisa Massey

Lisa Massey
Manager
574-876-1888

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