

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, 2013 to December 31, 2016



FILED
03/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John W. Oliver Jacqueline Wright	01-01-13 to 05-06-15 05-07-15 to 03-31-19
President of the District Board	Erwin D. Marohn John Chamberlin	01-01-13 to 05-06-15 05-07-15 to 03-31-21



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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, 2013 to December 31, 2016. The District's management is responsible for the fair presentation of these financial statements in accordance with the prescribed basis of accounting described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statements. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 described in the preceding paragraph, the financial statements for the period of January 1, 2013 to December 31, 2016, 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.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

In our opinion, the financial statements for the period of January 1, 2013 to December 31, 2016, referred to above, present fairly the financial position and results of operations of the District based on the prescribed basis of accounting described in Note 1 to the financial statements, in all material respects.

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, and Schedule of Leases and Debt, 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, CPA
State Examiner

January 29, 2018

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.

PRETTY LAKE CONSERVANCY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2013 and 2014

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Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Pretty Lake Conservancy District Wastewater operating	\$ 90,668	\$ 167,937	\$ 162,272	\$ 96,333	\$ 169,267	\$ 166,941	\$ 98,659
Pretty Lake Conservancy District RD Bond & Interest	36,992	74,472	73,966	37,498	73,817	74,161	37,154
Pretty Lake Conservancy District Debit Reserve	50,532	7,403	-	57,935	7,403	-	65,338
Pretty Lake Conservancy District Equipment Reserve	9,440	29,880	-	39,320	29,880	43,464	25,736
Totals	<u>\$ 187,632</u>	<u>\$ 279,692</u>	<u>\$ 236,238</u>	<u>\$ 231,086</u>	<u>\$ 280,367</u>	<u>\$ 284,566</u>	<u>\$ 226,887</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 Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Pretty Lake Conservancy District Wastewater operating	\$ 98,659	\$ 160,355	\$ 163,538	\$ 95,476	\$ 165,581	\$ 159,070	\$ 101,987
Pretty Lake Conservancy District RD Bond & Interest	37,154	73,826	73,336	37,644	67,600	74,491	30,753
Pretty Lake Conservancy District Debit Reserve	65,338	7,403	-	72,741	1,289	-	74,030
Pretty Lake Conservancy District Equipment Reserve	25,736	29,880	-	55,616	27,390	40,861	42,145
Totals	\$ 226,887	\$ 271,464	\$ 236,874	\$ 261,477	\$ 261,860	\$ 274,422	\$ 248,915

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 a 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

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:

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.

PRETTY LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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. *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.

PRETTY LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Reports 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 Reports 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.

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

	Pretty Lake Conservancy District <u>Wastewater operating</u>	Pretty Lake Conservancy District <u>RD Bond & Interest</u>	Pretty Lake Conservancy District <u>Debit Reserve</u>	Pretty Lake Conservancy District <u>Equipment Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 90,668	\$ 36,992	\$ 50,532	\$ 9,440	\$ 187,632
Receipts:					
Utility fees	167,937	-	-	-	167,937
Other receipts	-	74,472	7,403	29,880	111,755
Total receipts	<u>167,937</u>	<u>74,472</u>	<u>7,403</u>	<u>29,880</u>	<u>279,692</u>
Disbursements:					
Other services and charges	1,833	-	-	-	1,833
Debt service - principal and interest	-	73,966	-	-	73,966
Utility operating expenses	48,683	-	-	-	48,683
Other disbursements	<u>111,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,756</u>
Total disbursements	<u>162,272</u>	<u>73,966</u>	<u>-</u>	<u>-</u>	<u>236,238</u>
Excess (deficiency) of receipts over disbursements	<u>5,665</u>	<u>506</u>	<u>7,403</u>	<u>29,880</u>	<u>43,454</u>
Cash and investments - ending	\$ <u>96,333</u>	\$ <u>37,498</u>	\$ <u>57,935</u>	\$ <u>39,320</u>	\$ <u>231,086</u>

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

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	\$ 96,333	\$ 37,498	\$ 57,935	\$ 39,320	\$ 231,086
Receipts:					
Utility fees	169,267	73,817	-	-	243,084
Other receipts	-	-	7,403	29,880	37,283
Total receipts	169,267	73,817	7,403	29,880	280,367
Disbursements:					
Other services and charges	2,425	-	-	-	2,425
Debt service - principal and interest	-	74,161	-	-	74,161
Capital outlay	6,165	-	-	-	6,165
Utility operating expenses	47,250	-	-	43,464	90,714
Other disbursements	111,101	-	-	-	111,101
Total disbursements	166,941	74,161	-	43,464	284,566
Excess (deficiency) of receipts over disbursements	2,326	(344)	7,403	(13,584)	(4,199)
Cash and investments - ending	\$ 98,659	\$ 37,154	\$ 65,338	\$ 25,736	\$ 226,887

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

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	\$ 98,659	\$ 37,154	\$ 65,338	\$ 25,736	\$ 226,887
Receipts:					
Utility fees	160,355	-	-	-	160,355
Other receipts	-	73,826	7,403	29,880	111,109
Total receipts	160,355	73,826	7,403	29,880	271,464
Disbursements:					
Debt service - principal and interest	-	73,336	-	-	73,336
Capital outlay	8,292	-	-	-	8,292
Utility operating expenses	44,137	-	-	-	44,137
Other disbursements	111,109	-	-	-	111,109
Total disbursements	163,538	73,336	-	-	236,874
Excess (deficiency) of receipts over disbursements	(3,183)	490	7,403	29,880	34,590
Cash and investments - ending	\$ 95,476	\$ 37,644	\$ 72,741	\$ 55,616	\$ 261,477

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

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	\$ 95,476	\$ 37,644	\$ 72,741	\$ 55,616	\$ 261,477
Receipts:					
Utility fees	163,851	-	-	-	163,851
Penalties	1,730	-	-	-	1,730
Other receipts	-	67,600	1,289	27,390	96,279
Total receipts	<u>165,581</u>	<u>67,600</u>	<u>1,289</u>	<u>27,390</u>	<u>261,860</u>
Disbursements:					
Other services and charges	2,395	-	-	-	2,395
Debt service - principal and interest	-	74,491	-	-	74,491
Utility operating expenses	60,395	-	-	40,861	101,256
Other disbursements	96,280	-	-	-	96,280
Total disbursements	<u>159,070</u>	<u>74,491</u>	<u>-</u>	<u>40,861</u>	<u>274,422</u>
Excess (deficiency) of receipts over disbursements	<u>6,511</u>	<u>(6,891)</u>	<u>1,289</u>	<u>(13,471)</u>	<u>(12,562)</u>
Cash and investments - ending	\$ <u>101,987</u>	\$ <u>30,753</u>	\$ <u>74,030</u>	\$ <u>42,145</u>	\$ <u>248,915</u>

PRETTY LAKE CONSERVANCY DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Pretty Lake Conservancy District	\$ -	\$ 348
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u><u>\$ -</u></u>	<u><u>\$ 348</u></u>

PRETTY LAKE CONSERVANCY DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2016

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Pretty Lake Conservancy District:			
General obligation bonds	Sewer	<u>\$ 1,256,000</u>	<u>\$ 73,583</u>
Totals		<u>\$ 1,256,000</u>	<u>\$ 73,583</u>

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/>.