

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

FINANCIAL STATEMENT REVIEW REPORT

OF

TOWN OF WINONA LAKE

KOSCIUSKO COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/01/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kent J. Adams	01-01-16 to 12-31-19
President of the Town Council	Bruce J. Shaffner Rick E. Swaim	01-01-17 to 12-31-18 01-01-19 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF WINONA LAKE, KOSCIUSKO COUNTY, INDIANA

We have reviewed the accompanying financial statement of the Town of Winona Lake (Town), for the period of January 1, 2017 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Town's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statement in accordance with a regulatory 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. This includes determining that the basis of accounting the Town uses is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statement on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement are prepared in accordance with 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. Our conclusion is not modified with respect to this matter.

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

March 2, 2020

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the Town.
The financial statement and notes are presented as intended by the Town

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TOWN OF WINONA LAKE
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
GENERAL FUND	\$ 455,557	\$ 1,305,449	\$ 1,297,724	\$ 463,282	\$ 1,398,451	\$ 1,293,772	\$ 567,961
MOTOR VEHICLE HIGHWAY	359,422	756,987	574,228	542,181	816,785	978,478	380,488
LOCAL ROAD & STREET	179,560	56,356	-	235,916	77,600	-	313,516
FORFEITURE	-	-	-	-	48,235	-	48,235
ECONOMIC DEVELOPMENT	2,000	-	-	2,000	-	-	2,000
INDOT GREENWAY PHS 4A GRANT	(21,181)	21,181	-	-	-	-	-
HUD	6,489	-	-	6,489	-	-	6,489
LOCAL LAW ENFOR EDUCATION	7,751	2,889	3,139	7,501	2,967	3,071	7,397
RIVERBOAT	360,959	29,075	30,800	359,234	29,075	-	388,309
PARK & RECREATION	55,069	21,081	45,832	30,318	50,378	44,356	36,340
RAINY DAY	370,006	-	6,112	363,894	-	45,851	318,043
EDIT	907,182	429,759	178,392	1,158,549	507,688	389,436	1,276,801
CUM CAP IMP - CIG TAX	169,568	11,936	-	181,504	11,473	4,125	188,852
CUM CAP DEVELOP	502,953	33,959	7,799	529,113	35,376	33,039	531,450
REDEVELOPMENT GENERAL	126,835	-	-	126,835	-	-	126,835
POLICE VENDING MACHINE	85	-	85	-	-	-	-
FIREFIGHTING FUND	8,650	-	-	8,650	-	-	8,650
TIF	265,446	186,520	57,829	394,137	142,304	57,574	478,867
DUI GRANT WINONA LAKE	-	3,038	2,831	207	1,758	1,648	317
OPO GRANT WINONA LAKE	-	1,546	1,400	146	-	759	(613)
DUI GRANT \$ FROM STATE	-	26,337	26,337	-	10,137	9,898	239
JAG GRANT POLICE EQUIP	-	43,047	44,743	(1,696)	1,200	-	(496)
POLICE DONATION	1,445	18,860	16,836	3,469	5,273	7,862	880
COMMUNITY CROSSING MATCHING GRANT	(311,873)	311,873	-	-	-	-	-
CANAL PROJECT	2,601	19,870	9,883	12,588	21,165	15,425	18,328
WINONA LAKE DONATIONS	86,784	81,376	158,075	10,085	27,524	35,664	1,945
W L PARK SPECIAL DONATION	22,563	55,361	6,180	71,744	9,633	5,792	75,585
SENIOR CENTER FUND	676	146	-	822	130	-	952
OPO GRANT \$ FROM STATE	-	36,762	36,762	-	25,285	13,227	12,058
NON-MOTORIST GRANT \$ FROM STATE	-	10,711	10,711	-	11,224	10,628	596
NON-MOTORIST GRANT WINONA LAKE ONLY	-	2,537	2,325	212	4,297	5,491	(982)
SUMMER IMPARIED DRIVING STATE GRANT	-	4,372	4,372	-	-	-	-
WLHA REHAB PROGRAM	10,196	-	-	10,196	-	-	10,196
WLHA REIMBURSEMENT	121,915	-	-	121,915	-	-	121,915
WL IMPROVEMENT DONATIONS	10,796	-	-	10,796	-	-	10,796
PAYROLL	24	5	-	29	5	-	34
PAYROLL FICA	-	78,963	78,963	-	86,602	86,602	-
PAYROLL OLD	-	261	261	-	-	-	-
PAYROLL FEDERAL WH	-	72,031	72,031	-	63,181	63,181	-
PAYROLL MED	-	18,467	18,467	-	20,252	20,252	-
PAYROLL STATE WH	1,826	20,331	20,266	1,891	20,956	22,000	847
PAYROLL LOCAL TAX	514	5,657	5,657	514	6,039	6,310	243
PAYROLL DIRECT DEPOSIT	-	444,677	444,677	-	478,466	478,466	-
PAYROLL AFLAC	344	4,394	4,415	323	3,932	3,932	323
PAYROLL HEALTH LIFE	2,124	21,652	21,829	1,947	26,420	26,003	2,364
PAYROLL HSA	-	20,484	20,484	-	26,499	26,253	246
PAYROLL DEFERRED SAVINGS	-	41,038	41,061	(23)	42,024	42,001	-
PAYROLL UNITED WAY	48	326	217	157	260	-	417
PAYROLL REPAY LOAN	-	3,763	3,763	-	5,600	5,600	-
WASTEWATER OPERATING	426,076	985,972	979,094	432,954	1,101,667	1,096,448	438,173
Totals	\$ 4,132,410	\$ 5,189,049	\$ 4,233,580	\$ 5,087,879	\$ 5,119,861	\$ 4,833,144	\$ 5,374,596

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

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is 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 statement. 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 Town.

Licenses and permits. Amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits. Amounts received from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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 statement. The aggregate disbursements include the following uses:

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.

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

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.

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

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

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 Town 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 Town. 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 Town. 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 Town 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 Town 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.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town 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 December 31 of the year preceding the budget year or January 15 of the budget year if the Town is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. 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 Town 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 Town 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 Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the Town authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

Note 7. Cash Balance Deficits

The financial statement contain some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the Town were not received by December 31, 2017 and 2018.

Note 8. Subsequent Event

On July 2, 2019, the Town Council adopted Resolution 2019-7-1 to establish a revolving fund known as the Town of Winona Lake Economic Development Revolving Fund (Revolving Fund) pursuant to Indiana Code 5-1-14-14(b) for the purpose of making one or more loans to the Kosciusko Community Development Corporation (CDC). The total loan of monies from the Revolving Fund is not to exceed \$2,180,000, which is comprised of \$2,130,000 for the purpose of the CDC to fund the acquisition of the Stonehenge Golf Course and \$50,000 to fund capital improvements and other costs related to the acquisition.

CLERK-TREASURER
TOWN OF WINONA LAKE

CLERK-TREASURER
TOWN OF WINONA LAKE
REVIEW RESULT AND COMMENT

CERTIFICATION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Clerk-Treasurer incorrectly certified on the 2017 and 2018 Annual Financial Reports that the Town had adopted the minimum internal control standards.

Criteria

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](#)."

CLERK-TREASURER
TOWN OF WINONA LAKE
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2020, with Kent J. Adams, Clerk-Treasurer; Meghan Lincoln, Deputy Clerk-Treasurer; Rick E. Swaim, President of the Town Council; Craig Allebach, Town Manager; and Adam Turner, Town Attorney.

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TOWN COUNCIL
TOWN OF WINONA LAKE

TOWN COUNCIL
TOWN OF WINONA LAKE
REVIEW RESULT AND COMMENT

ADOPTION OF INTERNAL CONTROL STANDARDS

Condition and Context

The Town Council did not adopt the minimum internal control standards and procedures during the review period. The Town Council adopted Ordinance 2020-1, Adopting Uniform Internal Control Standards, on January 21, 2020.

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

"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 . . ."

TOWN COUNCIL
TOWN OF WINONA LAKE
EXIT CONFERENCE

The contents of this report were discussed on March 2, 2020, with Kent J. Adams, Clerk-Treasurer; Meghan Lincoln, Deputy Clerk-Treasurer; Rick E. Swaim, President of the Town Council; Craig Allebach, Town Manager; and Adam Turner, Town Attorney.