

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

TOWN OF PINES

PORTER COUNTY, INDIANA

January 1, 2016 to December 31, 2019



FILED
08/07/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jessica Murray	01-01-16 to 04-01-17
	(Vacant)	04-02-17 to 05-14-17
	Janice Lowe	05-15-17 to 12-31-19
	Shelby Mashburn	01-01-20 to 12-31-20
President of the Town Council	Cathi Murray	01-01-16 to 12-31-17
	James Prast	01-01-18 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE TOWN OF PINES, PORTER COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Town of Pines (Town), for the period of January 1, 2016 to December 31, 2019. 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 statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements 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 statements 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.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

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

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements 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

June 23, 2020

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

TOWN OF PINES
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2016 and 2017

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16	Receipts	Disbursements	Cash and Investments 12-31-17
General Fund	\$ 64,894	\$ 162,432	\$ 156,904	\$ 70,422	\$ 146,350	\$ 164,837	\$ 51,935
Motor Vehicle Highway	137,929	37,809	40,452	135,286	53,573	54,253	134,606
Local Road & Street	10,682	11,231	-	21,913	14,221	6,366	29,768
Rainy Day	32,192	-	-	32,192	-	-	32,192
Levy Excess	12	-	-	12	353	-	365
Major Moves Construction	6,083	-	-	6,083	-	-	6,083
Cumulative Capital Improvement	3,941	1,805	-	5,746	905	2,751	3,900
Cedit	182,343	89,709	20,121	251,931	63,724	24,011	291,644
Totals	<u>\$ 438,076</u>	<u>\$ 302,986</u>	<u>\$ 217,477</u>	<u>\$ 523,585</u>	<u>\$ 279,126</u>	<u>\$ 252,218</u>	<u>\$ 550,493</u>

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

TOWN OF PINES
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
General Fund	\$ 51,935	\$ 148,166	\$ 145,897	\$ 54,204	\$ 184,618	\$ 159,326	\$ 79,496
Motor Vehicle Highway	134,606	61,046	31,799	163,853	37,569	122,491	78,931
Local Road & Street	29,768	19,397	24,207	24,958	20,066	16,700	28,324
MVH RESTRICTED	-	-	-	-	95,080	349	94,731
Rainy Day	32,192	-	-	32,192	-	-	32,192
Levy Excess	365	-	-	365	-	-	365
Major Moves Construction	6,083	-	-	6,083	-	-	6,083
Cumulative Capital Improvement	3,900	782	3,546	1,136	1,618	25	2,729
Cedit	291,644	54,929	27,114	319,459	60,003	20,126	359,336
LR&B Intergov Grant Fund	-	48,486	48,486	-	49,471	49,471	-
Totals	<u>\$ 550,493</u>	<u>\$ 332,806</u>	<u>\$ 281,049</u>	<u>\$ 602,250</u>	<u>\$ 448,425</u>	<u>\$ 368,488</u>	<u>\$ 682,187</u>

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

TOWN OF PINES
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the Town.

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 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 PINES
NOTES TO FINANCIAL STATEMENTS
(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).

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:

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.

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.

TOWN OF PINES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

TOWN OF PINES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

TOWN OF PINES
REVIEW RESULTS AND COMMENTS

INTERNAL CONTROLS

Condition and Context

Controls had not been properly designed or implemented to ensure that the Town's reconciled cash and investment balances agreed to the cash and investment balances reported in the financial statements.

The Town's bank reconcilements included \$4,757 in unsupported deposits in transit (DITs). Upon further review, several receipts and disbursements had been posted twice, and the Town requested and received a replacement check from a vendor. Only \$25 in unidentified DITs remained on the bank reconciliation as of April 30, 2020.

Subsequent to the review period, the Town's reconcilements include an \$88 net unidentified difference between the reconciled bank balance and the record balance, which had not been addressed or corrected.

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. . . ."

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."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the unit. The deposit ticket or attached documentation must provide a detailed listing of the deposit, which includes at a minimum, check numbers and corresponding names of the payers. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

TOWN OF PINES
REVIEW RESULTS AND COMMENTS
(Continued)

MISSING FUND AND TRANSACTION POSTING

Condition and Context

The LR&B Intergov Grant Fund was omitted from the 2018 and 2019 Annual Financial Reports (AFR) entered on the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. Receipts and disbursements, which totaled \$48,486 and \$49,471, for 2018 and 2019, respectively, were not reported in Gateway. Adjustments to the financial statements were proposed, accepted, and made for the addition of the LR&B Intergov Grant Fund.

In 2019, transfers made from the Motor Vehicle Highway fund to the MVH Restricted fund were recorded as negative receipts and negative disbursements in error. A transfer of \$14,033 was also not correctly reported in Gateway, which resulted in an understatement of receipts and disbursements in the AFR and financial statements for the Motor Vehicle Highway fund. Adjustments to the financial statements were proposed, accepted, and made for the Motor Vehicle Highway fund.

Criteria

Each fund is an entirely separate entity. Transactions between funds must be carefully recorded and fully supported by issuing receipts and warrants. Transfers may be made between funds in the form of temporary loans as provided by law. These will also be supported by issuing receipts and warrants. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 3)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.

When it is determined that an error has been posted in the financial records, the error must be corrected in a timely manner. The corrections of the error should be dated as of the date that the correction occurred and should not be back dated to the date the error occurred. The adjustment should be labeled as a correcting entry. All documentation of the error and the adjustments must be maintained to support the correction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

ADOPTION OF AND TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The Town did not adopt the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts or train appropriate personnel on internal control standards. The Town also incorrectly certified on the Annual Financial Reports that it had adopted and trained on the minimum internal control standards and procedures. As of April 2020, the Town had not adopted or trained on the internal control standards.

TOWN OF PINES
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

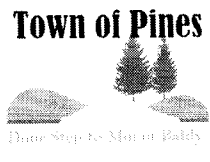
Indiana Code 5-11-1-27(g) states:

"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."

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](#)."



Town of Pines

Clerk Treasurer's Office
1519 Delaware Street
Michigan City, Indiana 46360
Telephone: (219)874-2853
E-Mail: townofpines@comcast.net

OFFICIAL RESPONSE

Date: June 23, 2020

Indiana State Board of Accounts
302 West Washington St. Room E418
Indianapolis, IN 46204-2765
Re: Public Audit Report

To Whom It May Concern,

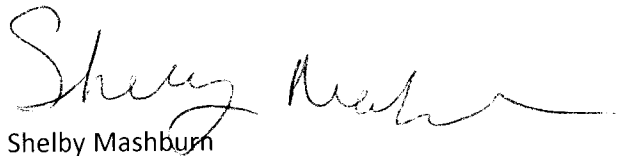
Regarding Internal Controls, the Town of Pines will be taking further measurements to better understand and implement internal control procedures. With the assistance of the State Board of Accounts, we were able to find and resolve all DIT except \$25 from 2011. In addition to finding these DIT items, the Town has found as of 06/25/2020 a portion of the \$88.02 Net Difference. This difference was a unrecorded payment to the Indiana Department of Revenue from 02/08/2018. Another found difference was of \$0.10 from a check that was incorrectly processed for \$0.10 less than the issued amount. This leaves the Town with an unknown difference of -\$44.17. We will work with our software team provide instruction on correcting all of these found corrections, as well as trying to locate the \$44.17 difference. It will also be reviewed with Town Council as to permission for any required adjustments.

Regarding Missing Fund and Transaction Posting, the Town of Pines will be working with the SBOA to make the corrections in Gateway. There was unclear understanding of requirements previously. We will

be sure to correct these issues as discussed going forward. The Town will also work with the SBOA if so required when doing any further Annual Financial Reports to ensure correct completion.

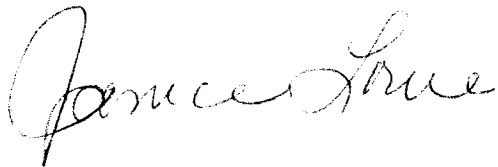
Regarding Adoption, Training, and Certification on Internal Control Standards, it will be brought to the Town Council's attention at the next meeting on July 1, 2020 of ICS needing to be addressed. It will be requested to have an appointment of a Senior Officer, who will be responsible for dual control and verification of all compliance and balancing procedures, including verifying monthly balancing is complete and accurate. In addition, the Clerk Treasurer and appointed officer will BOTH be required to complete the Internal Control Standard training offered by the State of Indiana at <https://www.in.gov/sboa/2019/07/16/ics-training>, before August 1, 2020.

Sincerely,



Shelby Mashburn

Clerk- Treasurer



Janice Lowe

Vice-President

TOWN OF PINES
EXIT CONFERENCE

The contents of this report were discussed on June 23, 2020, with Shelby Mashburn, Clerk-Treasurer, and Janice Lowe, former Clerk-Treasurer and Vice President of the Town Council.