

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

PINE LAKE CONSERVANCY DISTRICT

LA PORTE COUNTY, INDIANA

January 1, 2016 to December 31, 2019



**FILED**  
09/28/2020



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Lisa Massey	01-01-16 to 12-31-20
Chair of the District Board	Mitch Biedul	01-01-16 to 12-31-16
	George Mares	01-01-17 to 12-31-17
	Pat Hannon	01-01-18 to 12-31-18
	George Mares	01-01-19 to 12-31-19
	Tara Christenson	01-01-20 to 12-31-20



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of the Pine Lake Conservancy District (District), 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 District'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 District 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, CPA  
State Examiner

August 13, 2020

## 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.

PINE LAKE CONSERVANCY DISTRICT  
 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
Replacement Fund II	\$ 198,873	\$ 106,162	\$ -	\$ 305,035	\$ 88,140	\$ -	\$ 393,175
Operating Fund	38,632	215,821	222,714	31,739	226,867	249,156	9,450
Replacement Fund	<u>40,520</u>	<u>-</u>	<u>40,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Totals</b>	<u>\$ 278,025</u>	<u>\$ 321,983</u>	<u>\$ 263,234</u>	<u>\$ 336,774</u>	<u>\$ 315,007</u>	<u>\$ 249,156</u>	<u>\$ 402,625</u>

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

PINE LAKE CONSERVANCY DISTRICT  
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
Horizon Replacement Fund	\$ -	\$ -	\$ -	\$ -	\$ 443,132	\$ 15	\$ 443,117
Replacement Fund II	393,175	46,976	2,385	437,766	188,362	626,128	-
Operating Fund	<u>9,450</u>	<u>214,551</u>	<u>211,592</u>	<u>12,409</u>	<u>601,552</u>	<u>592,059</u>	<u>21,902</u>
Totals	<u>\$ 402,625</u>	<u>\$ 261,527</u>	<u>\$ 213,977</u>	<u>\$ 450,175</u>	<u>\$ 1,233,046</u>	<u>\$ 1,218,202</u>	<u>\$ 465,019</u>

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

PINE 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:

*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.

*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:

PINE LAKE CONSERVANCY DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

*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. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District 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.

PINE LAKE CONSERVANCY DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

**Note 3. 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.

**Note 4. 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.

**Note 5. Restatements**

For the year ended December 31, 2016, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the District. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2015	New Fund	Prior Period Adjustment	Balance as of January 1, 2016
Replacement II Fund	\$ 206,130	Replacement II Fund	\$ (7,257)	\$ 198,873
Operating Fund	31,322	Operating Fund	7,310	38,632

PINE LAKE CONSERVANCY DISTRICT  
REVIEW RESULTS AND COMMENTS

**CONDITION OF RECORDS**

*Condition and Context*

In 2017 and 2019, the District's financial statements did not accurately reflect the financial activity during the engagement period. In 2017, the District understated Replacement Fund II receipts by \$6,864, and Operating Fund receipts and disbursements by \$2,505.

In 2019, the District understated Horizon Replacement Fund receipts and disbursements by \$15, and Replacement Fund II receipts and disbursements by \$188,362.

Adjustments for 2017 and 2019 were proposed, approved by the District, and made to the financial statements to correctly reflect the activity of the District.

*Criteria*

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

**INTERNAL CONTROL POLICY AND TRAINING**

*Condition and Context*

The District Board did not adopt the minimum 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:

PINE LAKE CONSERVANCY DISTRICT  
REVIEW RESULTS AND COMMENTS  
(Continued)

- (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."

**TRANSFERS**

A similar comment also appeared in prior Report B48162, entitled *ERRORS ON CLAIMS*.

*Condition and Context*

The District made numerous transfers between funds throughout the period in which the District did not have adequate supporting documentation. The District's Board minutes were not always updated properly for transfers.

*Criteria*

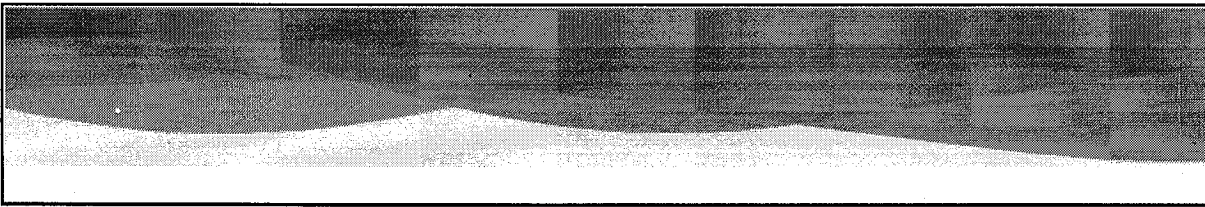
Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Indiana Code 5-11-10-1.6 states in part:

". . . (b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim; . . ."



PINE LAKE CONSERVANCY      PLCD  
DISTRICT

P O Box 1884  
La Porte, IN 46350

OFFICIAL RESPONSE

Date: August 20, 2020

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

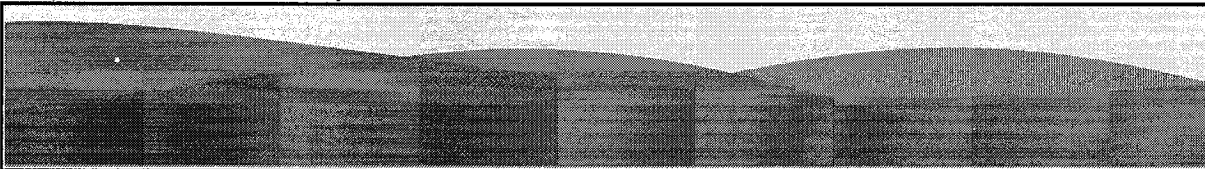
Re: Official Response

I would like to respond to the recent audit for years 2016-2019. Regarding the financial statement for the Replacement Fund understated by \$6864 and the Operating Fund difference in \$2505.00. These were internal transfers made between the accounts. The financial statements always agreed to the bank statement. After the correction was made, it was an error on our part of not correcting the financials in Gateway. All corrections have been made during this audit.

The Horizon fund receipts and disbursements fund was an error on our part of writing the check and not transferring the funds. The district had two bank accounts at PNC, Operating Fund and Replacement Fund. All checks are written from the Operating Fund. When we opened the new Replacement Fund at Horizon we wrote the check from the Operating account and simply forgot to transfer the funds from the Replacement Fund to the Operating Fund. The \$15 fee was credited back to PLCD and noted in financials.

Thank You for the opportunity to respond to the issues.

Tara Christenson  
Chairperson Pine Lake Conservancy District



PINE LAKE CONSERVANCY DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2020, with Lisa Massey, Financial Clerk, and Tara Christenson, Chair of the District Board.