

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

PORTER COUNTY, INDIANA

January 1, 2019 to December 31, 2019



**FILED**  
01/11/2021

*Reissued on September 3, 2021,  
to correct the Audit Results and  
Comments.*



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
County Auditor	Vicki Urbanik	01-01-19 to 12-31-20
County Treasurer	Michelle Clancy	01-01-17 to 12-31-20
Clerk of the Circuit Court	Jessica Bailey	01-01-19 to 12-31-20
County Sheriff	David Reynolds	01-01-19 to 12-31-20
County Recorder	Charles Harris	01-01-19 to 12-31-20
President of the Board of County Commissioners	Jeffrey Good	01-01-19 to 12-31-20
President of the County Council	Dan Whitten Jeremy Rivas	01-01-17 to 12-31-19 01-01-20 to 12-31-20



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF PORTER COUNTY, INDIANA

This report is supplemental to our audit report of Porter County (County), for the period from January 1, 2019 to December 31, 2019. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the County. It should be read in conjunction with our Financial Statements Audit Report of the County, which provides our opinions on the County's financial statements. This report may be found at [www.in.gov/sboa](http://www.in.gov/sboa).

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

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

August 10, 2021

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COUNTY AUDITOR  
PORTER COUNTY

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were several deficiencies in the internal control system of the County related to financial transactions and reporting.

*Financial Statements and Notes to the Financial Statements*

The County prepared its first year GAAP (Generally Accepted Accounting Principles) financial statements and Notes to the Financial Statements (Notes) inhouse for 2019. The County Auditor's Office compiled all the information and prepared the GAAP statements and notes. The County Auditor instituted internal controls with different team members preparing and reviewing the financial statements line items and adjustments. The internal controls that were in place were determined to be ineffective and did not ensure that the financial statements and notes were accurate and complete.

Revenues are recorded when earned, and expenses are to be recorded when a liability is incurred, regardless of the timing of cash flows. Receivables are revenue that is earned in one year but not received until the subsequent year. Payables are expenses incurred in one year but not paid until a subsequent year.

The County did not consider the effect of prior year receivables or payables on current year revenue or expenses, which resulted in the overstatement of revenues and expenditures.

The Cable Franchise fund revenue was overstated by \$236,990 due to a receivable that would have been revenue in the prior year.

The Cable Franchise fund and Co Revenue Bond Project fund expenditures were overstated by \$635,590 and \$2,644,768, respectively, due to payables that would have been reported as an expenditure in the prior year.

As a result of the overstatement of revenue and expenditures, the Cable Franchise and Co Revenue Bond Project funds change in fund balance, increased by \$398,600 (difference between \$236,990 revenue and \$635,590 expenses) and \$2,644,768, respectively, and the beginning fund balances for each fund decrease by the same amount.

The Government Wide Statement of Activities was overstated for revenue and expenses for \$236,990 and \$635,590, respectively, due to the Cable Franchise fund as stated above. The expenses related to the Co Revenue Bond Project fund were considered Construction in Progress (CIP) and did not affect the Government Wide Statement of Activities but should have been reported as CIP as of December 31, 2018.

An adjustment was proposed, accepted by the County, and made to the financial statements and notes to the financial statements.

*Capital Assets*

There were no controls in place to verify that the capital assets reports were accurate. The County was unable to provide supporting documentation for some of the assets reported.

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Internal controls were ineffective and did not ensure that the Notes to the Financial Statements (Notes) related to the capital assets were accurate. Capital assets not being depreciated within the Notes were overstated by \$11,169,288. An adjustment was proposed, accepted by the County, and made to the Notes to agree to the financial statements.

*Taxes Receivable*

There were no controls in place to ensure that Taxes Receivable reported on the financial statements was accurate. The Taxes Receivable on the financial statements did not agree to the County's supporting documentation. Taxes Receivable and the corresponding Intergovernmental Payable were understated by \$5,111,488. An adjustment was proposed, accepted by the County, and made to the financial statements.

*Interest Payable*

Internal controls were ineffective to ensure that Interest Payable was calculated correctly.

*Pensions*

*Net Pensions Held in Trust, Net Pension Liability, Deferred Inflows,  
Deferred Outflows, Net Pension Asset*

Internal controls were not effective to ensure that the fiduciary financial statements and the related Notes were complete and free of material misstatements. The County Police Pension Retirement and County Police Benefit funds were omitted from the fiduciary financial statements presented. Adjustments were proposed, accepted by the County, and made to the financial statements.

Public Employees Retirement Fund (PERF) - The Porter County Airport Authority (Airport Authority) is a discretely presented component unit of the County. Due to a special funding situation regarding their participation in the PERF pension plan, the Airport Authority's financial amounts and disclosures should have been included with the County's plan as a whole. Because the Airport Authority reported and disclosed its pension information separately, the following errors in the financial statements and Notes were noted

- The County's Net Pension Liability was understated by \$281,927, while the Airport Authority's Net Pension Liability was overstated by the same amount.
- The County Pension Expense was understated by \$47,223.
- Deferred Inflows and Outflows - The County understated the Deferred Inflows and Outflows of Resources, while the Airport Authority's Deferred Inflow and Outflows were overstated by the same amounts.

*Discretely Presented Component Units*

*Porter County Library*

The County did not include the Porter County Library (Library) as a discretely presented component unit on the financial statements. The Library was unable to provide their financial statements in a timely manner. The opinion of the Discretely Presented Component Units reflects this matter.

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*Porter County Airport Authority and Porter County Recycling and Waste Reduction District*

There also was no evidence that the County had a control in place to ensure that the balances and required note disclosures of two of their discretely presented component units, the Porter County Airport Authority's and the Porter County Recycling and Waste Reduction District, were accurate and complete.

*Notes to the Financial Statements*

The County did not have effective controls in place to ensure the accuracy and completeness of the Notes. The Notes contained multiple misstatements and omissions as follows:

1. There was no note disclosure regarding the Airport Refunding Bond in 2019.
2. OPEB: The County omitted the health care cost Trend rates and salary changes from the actuarial assumptions.
3. Police Pension Plan: The County omitted required information regarding the plan investments including the discount rate.
4. PERF:
  - The County listed the measurement date as June 30, 2018, not June 30, 2019.
  - The Geometric basis long-term expected real rate of return on plan assets did not agree to the State CAFR.
  - The County net pension liability discount rate sensitivity - The County's proportionate share of the net pension liability and county net pension liability (employers proportionate share (percentage) were understated due to the incorrect presentation of the Airport Authority.
  - The County failed to include their contributions to the PERF plan for the year ended December 31, 2019, which resulted in an understatement of contributions of \$2,842,437.
  - The County overstated the amortization of net deferred outflows/(inflows) in the County's pension plan disclosure. These amounts included only the County's portion; they did not include the Airport Authority.
  - The County PERF disclosures also omitted the basis for determination of the plan's fiduciary net position, the plan's basis of accounting, including policies with respect to benefit payments (including refunds of employee contributions) and the valuation of plan investments, and information about the substance and magnitude of significant changes that have occurred and that indicate the disclosures included in the plan's financial report generally do not reflect the facts and circumstances at the measurement date.

COUNTY AUDITOR  
PORTER COUNTY  
AUDIT RESULTS AND COMMENTS  
(Continued)

*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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

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 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](#)."

**OVERDRAWN CASH BALANCES**

The same comment also appeared in prior Report B52926.

*Condition and Context*

At December 31, 2019, the Highway Fund and Foundation Budget Fund were overdrawn by \$220,027 and \$91,077, respectively.

*Criteria*

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for County Auditors of Indiana, Chapter 1)



Vicki Urbanik, CPA, CGFM, EA  
Auditor

(219) 465-3445

Porter County Audit Results and Comments  
OFFICIAL RESPONSE  
January, 2021

Below is our response to the audit results in the Porter County audit for the year ending 2019.

We attribute most of the audit results to the fact that our 2019 financial statements constituted our first GASB GAAP report and, accordingly, we did not have the benefit that experience brings to a project of this magnitude. Not only did we prepare the statements primarily in-house, but we also compiled the report during the extremely challenging COVID-19 public health crisis in the spring of 2020. Our plans for this project, including weekly staff meetings and consultations with external parties including our component units, were dealt a significant setback due to the building closures, restrictions on in-person gatherings, and reduced office crews. We knew going into the project we could not possibly know all the complexities of a GASB financial statement given the fact that we never before prepared such a statement and that we did not have the benefit of outside professionals steering the work for us. The fact that we took on this project during the coronavirus health crisis only hampered our efforts. Despite this, our staff worked tirelessly to prepare the best statements possible given the circumstances, fully anticipating audit corrections. In fact, we welcome the audit guidance in correcting areas in which we were lacking.

We urge the public to read our Corrective Action Plan in which we further detail our response to the audit findings. In short, we agree with several of the findings, such as the deficiencies in the Porter County Airport capital asset reporting. We were unaware of several other requirements that gave rise to other findings, such as the treatment of the interest payable related to the Jail bonds. Under the regulatory basis, we were not required to report on some of these items and so, as stated above, we welcome the guidance in advising us going forward.

We do disagree with several of the findings that faulted us for lack of internal controls; basically, the audit conclusion is that because we did not know the specific GASB or GAAP treatment of certain items, our internal controls were materially lacking. One example deals with the Airport and the County PERF data. As we detailed in our Corrective Action Plan, the information we had available at the time suggested that we needed to segregate the Airport and County PERF data. However, once we were informed that our INPRS arrangement constituted a special funding situation, we revised our statements, a project that involved numerous adjustments in our work papers, the statements, MD&A, and Notes. We committed to complete this work within the one-week time period we were given. We believe a serious internal control would have existed had we chosen not to make these adjustments.

In summary, we again refer readers to the Corrective Action Plan in which we detail both our response and our plans for making the adjustments going forward. As stated above, this was our first GASB GAAP project, and

we knew that it would be a challenge given the breadth and complexities of GAAP. We have already adjusted for the Airport PERF data and will make all the other various adjustments as noted.

We already planned to include the Porter County Public Library in our 2020 financial statements, and we have already had several discussions about this matter with library officials. We continue to question whether the PCPLS should, in fact, be treated as a component unit in 2019 statements, due to the timing of the affected state statute.

Again, as stated above, we welcome the SBOA guidance for continued improvement of our GASB statements going forward.

Sincerely,



Vicki Urbanik  
Porter County Auditor

COUNTY AUDITOR  
PORTER COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on December 17, 2020, with Vicki Urbanik, County Auditor; Jeffery Good, President of the Board of County Commissioners; Jeremy Rivas, President of the County Council; Mike Jessen, County Council member; Tiffany Johnson, Budget and Finance Director; Toni Downing, Chief Deputy; and Scott McClure, County Attorney.

The revised contents of this report related to Financial Transaction and Reporting - Beginning Balances were discussed on August 10, 2021, with Vicki Urbanik, County Auditor; Jeffery Good, President of the Board of County Commissioners; Jeremy Rivas, President of the County Council; Tiffany Johnson, Budget and Finance Director; Toni Downing, Chief Deputy; and Scott McClure, County Attorney.