

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

NEW PARIS CONSERVANCY DISTRICT

ELKHART COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
08/18/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk/Secretary	Diane Smith	01-01-17 to 12-31-22
Chair of the Board of Directors	Gary Brumbaugh	01-01-17 to 12-31-18
	Gary Dausman	01-01-19 to 04-26-22
	Gary Brumbaugh	04-27-22 to 12-31-22



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE NEW PARIS CONSERVANCY DISTRICT, ELKHART COUNTY, INDIANA

We have reviewed the accompanying financial statements of the New Paris Conservancy District (District), for the period of January 1, 2017 to December 31, 2020. 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 Responsibilities 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 Responsibilities

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.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our reviews.

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.



Beth Kelley, CPA, CFE
Deputy State Examiner

July 25, 2022

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.

NEW PARIS CONSERVANCY DISTRICT
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 Tax	\$ 656,051	\$ 233,655	\$ 119,550	\$ 770,156	\$ 745,151	\$ 344,964	\$ 1,170,343
Cumulative Capital Improvement	343,465	19,625	300,000	63,090	46,163	-	109,253
Cash Savings	1,322	84	-	1,406	325	-	1,731
Construction	4,508	-	-	4,508	9,007	-	13,515
Money Market	221,394	3,176	114,729	109,841	14,901	52,867	71,875
Wastewater Utility Operating	61,469	883,612	837,790	107,291	472,404	381,738	197,957
Wastewater Replacement	373,014	-	60,000	313,014	-	-	313,014
Totals	<u>\$ 1,661,223</u>	<u>\$ 1,140,152</u>	<u>\$ 1,432,069</u>	<u>\$ 1,369,306</u>	<u>\$ 1,287,951</u>	<u>\$ 779,569</u>	<u>\$ 1,877,688</u>

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

NEW PARIS CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
General Tax	\$ 1,170,343	\$ 405,636	\$ 680,097	\$ 895,882	\$ 361,350	\$ 505,731	\$ 751,501
Cumulative Capital Improvement	109,253	33,910	-	143,163	40,349	-	183,512
Cash Savings	1,731	88	-	1,819	920	2,728	11
Construction	13,515	-	-	13,515	-	-	13,515
Money Market	71,875	168,230	16,982	223,123	429,768	652,891	-
Wastewater Utility Operating	197,957	451,248	402,298	246,907	1,099,468	997,856	348,519
Wastewater Replacement	313,014	-	-	313,014	-	-	313,014
Totals	\$ 1,877,688	\$ 1,059,112	\$ 1,099,377	\$ 1,837,423	\$ 1,931,855	\$ 2,159,206	\$ 1,610,072

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

NEW PARIS 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:

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 District.

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:

NEW PARIS 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.

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. 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.

NEW PARIS CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District 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 District 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 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 5. 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 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 District authority to contribute to the plan.

NEW PARIS CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 District 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

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. Other Postemployment Benefits

The District provides Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits to eligible retirees and their spouses. These benefits pose a liability to the District for this year and in future years. Information regarding the benefits can be obtained by contacting the District.

NEW PARIS CONSERVANCY DISTRICT
REVIEW RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS AND TRANSACTION RECORDING

Condition and Context

When bank account reconciliations of the fund balances to the bank account balances were conducted, the reconciliations included discrepancies. The bank balances exceeded the ledger balance by \$30,716 as of December 31, 2018. An adjustment was posted to the ledger to reconcile the bank balances as of February 2019. The ledger balance exceeded the bank balance by \$6,431 and \$225 as of December 31, 2019, and December 31, 2020, respectively.

There were multiple adjustments posted to the ledger that affected the bank account reconciliations. The adjustments were partially due to the correction of receipt postings from a coding error between the billing's module and the ledger within the financial software.

Criteria

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."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

ANNUAL FINANCIAL REPORT

Condition and Context

The District reported its financial activity into the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and financial statements. Records presented for audit did not reconcile with the AFR and financial statements. As a result, material adjustments were made and approved by management.

NEW PARIS CONSERVANCY DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

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](#)."

APPROVAL OF CLAIMS

A similar comment appeared in prior Report B51291.

Condition and Context

Claim dockets were either not approved by the Board of Directors or missing for 4 of the 10 vendor claims tested for compliance. Payroll claims were not approved on the claims docket until 2020. Transfers were also not included on the claim dockets or presented in a resolution for Board of Directors approval until 2021.

Criteria

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: . . .

(5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim. . . ."

August 4, 2022

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, IN 46204-2769

Re: Response to Management Letter Communications Regarding Noncompliance for period
January 1, 2017 to December 31, 2020

Dear Madam or Sir:

The following are responses to the review related to noncompliance with applicable laws and/or uniform compliance guidelines established by the State Board of Accounts for the period of January 1, 2017 to December 31, 2020.

Board Minutes

Comment: Board of Director minutes presented for audit contained duplicate excerpts from prior Board of Director minutes that did not reflect the substance of that day's meeting. Reorganization of the Board was not documented in 2019, 2020 or 2021 minutes. Furthermore, an hourly pay increase in 2020 for the Financial Secretary/Clerk was not documented in the board minutes.

Response: The reorganization of the Governing Board would have occurred in 2019, 2020 and 2021 either during the annual meeting of district or immediately thereafter at a regular Governing Board meeting. In both cases, the minutes reflect the reorganization and the designation of a Chairperson and Vice Chairperson pursuant thereto. The hourly pay increase in 2020 for the Financial Clerk/Secretary was approved by the Governing Board by way of a written resolution which became part of the record of the meeting. The District will continue its practice of having the Board Attorney review the Board minutes prior to their being presented for approval at the following meeting so as to assure all actions of the Board are reflected in the minutes.

Supporting Documentation

Comment: Two vendor claims tested, Staples and Indiana Department of Revenue paid on July 24, 2017 and September 10, 2018, respectively, did not have supporting documentation provided to ensure the disbursement was an actual obligation of the District.

Response: The District's procedures have been reiterated to the Financial Clerk and those responsible to approving the accounts payable vouchers to make sure proper documentation is attached to each vendor claim.

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Late Submission of the Form 100-R

Comment: The District had not filed the annual Form 100-R timely in 2018 and 2020, resulting in late submission by 6 and 40 days, respectively.

Response: The District has reiterated procedures for timely filing of the annual Form 100-R and will work towards timely filing in the future.

Bank Account Reconciliations and Transaction Recording

Comment: When depository reconciliations of the fund balances to the bank account balances were conducted, the reconciliations included discrepancies. The bank balances exceeded the ledger balance by \$30,716 as of December 31, 2018. An adjustment was posted to the ledger to reconcile the bank balances as of February 2019. The ledger balance exceeded the bank balance by \$6,431 and \$225 as of December 31, 2019 and December 21, 2020, respectively.

Response: During the review period of January 1, 2017 through December 31, 2019, there were adjustments that were posted to correct the cash balances and adjust those balances. The District uses an accounting and consulting firm to assist with the reconciliation of the bank account, which is approved by a Board member and the bank reconciliation is also provided to all board members and presented at a board meeting. Presently, the District is in balance with the bank balances in comparison to the general ledger cash and investment accounts.

Annual Financial Report

Comment: The District reported its financial activity into the Indiana Gateway for Governmental Units (Gateway), which is the source of the Annual Financial Report (AFR) and financial statements. Records presented for audit did not reconcile with the AFR and financial statements. As a result, material adjustments were made and approved by management.

Response: The District maintains its books and records and financial statements on the accrual method, whereas the Indiana Gateway AFR is done on a cash basis. The District does convert its accrual financials to cash basis for preparing the AFR, but sometimes it is difficult to capture offsetting entries that may be recorded in the District's books and records. The District will strive to provide a reconciliation for the accrual to cash basis conversion.

Approval of Claims

Comment: Claim dockets were either not signed for approval by the Board of Directors or missing for 4 of the 10 vendor claims tested for compliance. Furthermore, payroll claims were not approved on the claims docket until 2020. Transfers were also not included on the claim dockets or presented in a Resolution for board approval until 2021.

State Board of Accounts

August 4, 2022

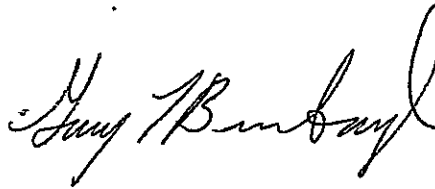
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Response: The District has reiterated its policy to Board and staff members to make sure all claim dockets that are approved by the Board have been signed for and the District now includes payroll claims and transfers in the claims docket.

We appreciate the opportunity to respond to the State Board of Accounts in its review findings related to noncompliance and compliance guidelines established by the Indiana State Board of Accounts.

If you should have any questions or concerns, please contact us at (574) 831-6100.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary Brumbaugh". The signature is written in a cursive style with a large, looping initial "G".

— Gary Brumbaugh
Chairman

NEW PARIS CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 25, 2022, with Diane Smith, Financial Clerk/Secretary; Gary Brumbaugh, Chair of the Board of Directors; Robin Loucks, President of the Board of Finance; Eric Cender, Financial Consultant; Karl Cender, Financial Consultant; and David Hollenbeck, District Attorney.