B60310

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

FINANCIAL STATEMENTS AUDIT REPORT

OF

PRETTY LAKE CONSERVANCY DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2018 to December 31, 2021

FILED
12/05/2022

TABLE OF CONTENTS

Description	Page
Schedule of Officials	2
Independent Auditor's Report	3-5
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	8-9
Notes to Financial Statements	10-12
Required Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	14-17
Other Information:	
Schedule of Leases and Debt	21
Other Reports	22

SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Jacqueline Wright	01-01-18 to 05-15-18
	Gerald Cannoot	05-16-18 to 12-31-22
President of the District Board	John Chamberlin	01-01-18 to 12-31-22

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE PRETTY LAKE CONSERVANCY DISTRICT, MARSHALL COUNTY, INDIANA

Adverse and Unmodified Opinions

We have audited the accompanying financial statements of the Pretty Lake Conservancy District (District), which comprise the financial position and results of operations for the period of January 1, 2018 to December 31, 2021, and the related notes to the financial statements as listed in the Table of Contents.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse and Unmodified Opinions* section of our report, the financial statements referred to above do not present fairly, the financial position and results of operations of the District as of December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position and results of operations of the District, as of December 31, 2021, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 to the financial statements, the District prepares its financial statements on 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 basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. 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 misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not absolute assurance, and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Required Supplementary Information

Financial reporting requirements established by the Indiana State Board of Accounts, as described in Note 1, require that the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by reporting requirements established by the Indiana State Board of Accounts who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Schedule of Leases and Debt, as listed in the Table of Contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we concluded that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Beth Kelley, CPA, CFE
Deputy State Examiner

November 15, 2022

(This page intentionally left blank.)

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES; REQUIRED SUPPLEMENTARY INFORMATION; AND OTHER INFORMATION

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.

The District's Annual Financial Reports information can be found on the Indiana Gateway for Government Units website: https://gateway.ifionline.org/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the District's Annual Financial Reports referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

PRETTY 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
Pretty Lake Conservancy District Wastewater operating	$ 110,502	$ 163,377	$ 164,005	$ 109,874	$ 177,663	$ 195,402	$ 92,135
Pretty Lake Conservancy District RD Bond & Interest	37,451	68,207	74,655	31,003	80,163	73,665	37,501
Pretty Lake Conservancy District Debit Reserve	74,031	-	-	74,031	-	-	74,031
Pretty Lake Conservancy District Equipment Reserve	45,916	27,391	4,940	68,367	32,370	24,564	76,173
Totals	$ 267,900	$ 258,975	$ 243,600	$ 283,275	$ 290,196	$ 293,631	$ 279,840

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

PRETTY LAKE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
Pretty Lake Conservancy District Wastewater operating	$ 92,135	$ 175,180	$ 180,935	$ 86,380	$ 163,153	$ 188,949	$ 60,584
Pretty Lake Conservancy District RD Bond & Interest	37,501	74,992	74,654	37,839	74,922	110,971	1,790
Pretty Lake Conservancy District Debit Reserve	74,031	-	-	74,031	-	-	74,031
Pretty Lake Conservancy District Equipment Reserve	76,173	29,880	29,249	76,804	32,370	-	109,174
Totals	$ 279,840	$ 280,052	$ 284,838	$ 275,054	$ 270,445	$ 299,920	$ 245,579

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

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:

Utility fees. Amounts received from charges for current services.

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:

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.

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

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.

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. Subsequent Events

The District is currently undergoing a project that is projected to add approximately 34 (or 30 percent more) new customers to its customer base. Construction for this project will begin in 2023.

REQUIRED SUPPLEMENTARY INFORMATION

PRETTY LAKE CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2018

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	$ 110,502	$ 37,451	$ 74,031	$ 45,916	$ 267,900
Receipts:					
Utility fees	167,053	-	-	-	167,053
Other receipts	(3,676)	68,207	-	27,391	91,922
Total receipts	163,377	68,207	-	27,391	258,975
Disbursements:					
Other services and charges	2,458	-	-	-	2,458
Debt service - principal and interest	-	74,655	-	-	74,655
Capital outlay	-	-	-	4,940	4,940
Utility operating expenses	65,949	-	-	-	65,949
Other disbursements	95,598	-	-	-	95,598
Total disbursements	164,005	74,655	-	4,940	243,600
Excess (deficiency) of receipts over disbursements	(628)	(6,448)	-	22,451	15,375
Cash and investments - ending	$ 109,874	$ 31,003	$ 74,031	$ 68,367	$ 283,275

PRETTY LAKE CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2019

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	$ 109,874	$ 31,003	$ 74,031	$ 68,367	$ 283,275
Receipts:					
Utility fees	171,405	-	-	-	171,405
Other receipts	6,258	80,163	-	32,370	118,791
Total receipts	177,663	80,163	-	32,370	290,196
Disbursements:					
Other services and charges	2,696	-	-	-	2,696
Debt service - principal and interest	-	73,665	-	-	73,665
Capital outlay	-	-	-	24,564	24,564
Utility operating expenses	80,173	-	-	-	80,173
Other disbursements	112,533	-	-	-	112,533
Total disbursements	195,402	73,665	-	24,564	293,631
Excess (deficiency) of receipts over disbursements	(17,739)	6,498	-	7,806	(3,435)
Cash and investments - ending	$ 92,135	$ 37,501	$ 74,031	$ 76,173	$ 279,840

PRETTY LAKE CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2020

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	$ 92,135	$ 37,501	$ 74,031	$ 76,173	$ 279,840
Receipts:					
Utility fees	165,610	-	-	-	165,610
Other receipts	9,570	74,992	-	29,880	114,442
Total receipts	175,180	74,992	-	29,880	280,052
Disbursements:					
Other services and charges	2,685	-	-	-	2,685
Debt service - principal and interest	-	74,654	-	-	74,654
Capital outlay	-	-	-	29,249	29,249
Utility operating expenses	73,378	-	-	-	73,378
Other disbursements	104,872	-	-	-	104,872
Total disbursements	180,935	74,654	-	29,249	284,838
Excess (deficiency) of receipts over disbursements	(5,755)	338	-	631	(4,786)
Cash and investments - ending	$ 86,380	$ 37,839	$ 74,031	$ 76,804	$ 275,054

PRETTY LAKE CONSERVANCY DISTRICT
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2021

	Pretty Lake Conservancy District Wastewater operating	Pretty Lake Conservancy District RD Bond & Interest	Pretty Lake Conservancy District Debit Reserve	Pretty Lake Conservancy District Equipment Reserve	Totals
Cash and investments - beginning	$ 86,380	$ 37,839	$ 74,031	$ 76,804	$ 275,054
Receipts:					
Utility fees	162,724	-	-	-	162,724
Other receipts	429	74,922	-	32,370	107,721
Total receipts	163,153	74,922	-	32,370	270,445
Disbursements:					
Other services and charges	2,559	-	-	-	2,559
Debt service - principal and interest	-	110,971	-	-	110,971
Utility operating expenses	79,098	-	-	-	79,098
Other disbursements	107,292	-	-	-	107,292
Total disbursements	188,949	110,971	-	-	299,920
Excess (deficiency) of receipts over disbursements	(25,796)	(36,049)	-	32,370	(29,475)
Cash and investments - ending	$ 60,584	$ 1,790	$ 74,031	$ 109,174	$ 245,579

(This page intentionally left blank.)

OTHER INFORMATION

(This page intentionally left blank.)

PRETTY LAKE CONSERVANCY DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2021

Description of Debt		Ending	Principal and Interest Due
Type	Purpose	Principal Balance	Within One Year
Pretty Lake Conservancy District:			
General obligation bonds	Sewer	$ 1,120,000	$ 14,000
Totals		$ 1,120,000	$ 14,000

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: http://www.in.gov/sboa/.