

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

COMPLIANCE ENGAGEMENT REPORT

OF

HELMER REGIONAL SEWER DISTRICT

STEUBEN COUNTY, INDIANA

January 1, 2019 to December 31, 2023



FILED

11/06/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary/Treasurer	Kathy Dunafin	01-01-18 to 09-30-21
	Alyssa Hammel	10-01-21 to 10-13-22
	Barbara Fugate	10-14-22 to 12-31-24
President of the District Board	Barry Simon	01-01-19 to 08-08-22
	Anna Hunter	08-09-22 to 12-31-24



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE HELMER REGIONAL SEWER DISTRICT, STEUBEN COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Helmer Regional Sewer District (District), for the period of January 1, 2019 to December 31, 2023. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body, and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

This report is intended solely for the information and use of management, governance, and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Barbara Fugate, Secretary/Treasurer, and Anna Hunter, President of the District Board, on October 23, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

August 20, 2024

HELMER REGIONAL SEWER DISTRICT
COMMENTS

INTERNAL CONTROLS

Condition and Context

Internal controls were not in place to ensure that the District complied with laws and regulations. The internal control deficiencies resulted in the noncompliance over: annual financial reports, form 100Rs, sales tax paid, board minutes missing, monthly and annual uploads, bond ordinance requirements, and prescribed forms as detailed further in the comments below.

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. . . ."

ANNUAL FINANCIAL REPORTS

A similar comment also appeared in prior Reports B45651 and B54028, entitled *ANNUAL FINANCIAL REPORTS*.

Condition and Context

Due to an internal control deficiency, the Annual Financial Reports (AFR) were not submitted timely, and the financial information submitted did not reflect the financial activity of the District. Financial information is required to be entered annually into the AFR via the Indiana Gateway for Government Units (Gateway) financial reporting system. The AFRs for 2021 and 2022 were submitted to the State Examiner via the Gateway financial reporting system 212 and 77 days late, respectively. Also, fund financial information for 2021, 2022, and 2023 reported in the AFRs was not supported by the accounting records resulting in cash and investment balances exceeding those in the accounting records as detailed in the following schedule:

HELMER REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Fund	AFR Cash and Investment Balances in Excess of Accounting Records		
	December 31, 2021	December 31, 2022	December 31, 2023
General	\$ 22,443	\$ 11,418	\$ 10,298
Bond/Interest	1,225	4,309	-
Debt	19,297	1,173	10,045
Totals	<u>\$ 42,965</u>	<u>\$ 16,900</u>	<u>\$ 20,343</u>

Adjustments were proposed, accepted by the District, and made to the Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis presented in this report.

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 as set forth in the uniform compliance guidelines. 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](#)."

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

LATE SUBMISSION OF FORM 100R

Condition and Context

Due to an internal control deficiency, the Form 100Rs were not submitted timely. The Form 100Rs for 2021 and 2022 were submitted to the State Examiner via the Indiana Gateway for Government Units financial reporting system 1 and 100 days late, respectively.

Criteria

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

HELMER REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

SALES TAX PAID

Condition and Context

Due to an internal control deficiency, the District paid sales tax on certain utility bills. The District failed to file for tax-exempt status. Sales tax paid varied from \$8 to \$22 per month based on utility usage.

Criteria

Sales taxes that are paid on qualifying purchases by the unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

BOARD MINUTES MISSING

Condition and Context

Due to an internal control deficiency, not all District Board minutes were available for review. District Board minutes for the following meetings were not available for review: October 11, 2021; November 9, 2021; December 14, 2021; January 11, 2022; June 14, 2022; July 12, 2022; and August 9, 2022.

Criteria

Indiana Code 5-14-1.5-4 states in part:

". . . (b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
 - (2) The members of the governing body recorded as either present or absent.
 - (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes taken by individual members if there is a roll call.
 - (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

HELMER REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

MONTHLY AND ANNUAL UPLOADS

Condition and Context

Due to an internal control deficiency, the District did not comply with the State Examiner Directive and did not upload all of the required monthly and annual uploads on the Indiana Gateway for Government Units (Gateway) financial reporting system for 2021, 2022, and 2023. Monthly and annual uploads were completed properly until September 30, 2021. After September 30, 2021, the only uploads completed were some monthly District Board minutes.

The following governmental unit information are required to be uploaded monthly:

- Bank Reconciliations.
- Bank Statements.
- Outstanding Check Lists.
- Approved District Board Minutes.
- Funds Ledger summarizing total receipts, disbursements, and beginning and ending balances by fund.

The following governmental unit information are required to be uploaded annually:

- Year-end investment statements.
- Detail of receipts for the year.
- Detail of disbursements for the year.
- Current year salary ordinance.
- Annual vendor history report.
- Annual employee earnings record/payroll history report without Social Security numbers (unless only hand posted records exist).
- Annual funds ledger summarizing year-to-date total receipts, year-to-date total disbursements, and beginning and ending balances by fund.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the SBOA to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated November 9, 2020, and effective with uploads due February 15, 2021)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

HELMER REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

NONCOMPLIANCE WITH BOND ORDINANCE

Condition and Context

Due to an internal control deficiency, the District did not comply with the requirements of Ordinance 90-02 Revenue Bond. This ordinance requires the District to raise sufficient revenues to make required monthly transfers of \$700 to Bond/Interest fund to fund the repayment of principal and interest of issued revenue bonds and monthly transfers of \$68 to Debt Service Reserve Fund to fund a sufficient reserve for payment of principal and interest in the event the Bond/Interest fund is unable to make the repayment. These transfers were made until September 2021. No monthly transfers were made from September 2021 to December 2023. By September 2021, expenses had increased to a level that sufficient revenues were not available to make the monthly transfers.

The bond ordinance restricts disbursements from the Bond and Interest Fund and the Debt Service Fund to principal and interest of issued revenue bonds. During 2022 and 2023, disbursements for operating expenses were paid from the Bond and Interest Fund and the Debt Service Fund.

Criteria

Each unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

PRESCRIBED FORMS

Condition and Context

Due to an internal control deficiency, the prescribed ledger, Form 323 Simplified Cash Journal, was not used after August 2021. When notified of the issue, the current fiscal officer reconstructed the ledger from September 2021 through December 2023.

Criteria

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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HELMER REGIONAL SEWER 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 Fund	\$ 5,122	\$ 17,964	\$ 20,114	\$ 2,972	\$ 32,184	\$ 32,689	\$ 2,467
Bond/Interest	2,459	8,400	7,250	3,609	8,400	8,050	3,959
Debit	<u>18,784</u>	<u>1,056</u>	<u>-</u>	<u>19,840</u>	<u>816</u>	<u>11,065</u>	<u>9,591</u>
Totals	<u>\$ 26,365</u>	<u>\$ 27,420</u>	<u>\$ 27,364</u>	<u>\$ 26,421</u>	<u>\$ 41,400</u>	<u>\$ 51,804</u>	<u>\$ 16,017</u>

HELMER REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
General	\$ 2,467	\$ 16,928	\$ 17,722	\$ 1,673	\$ 18,724	\$ 10,137	\$ 10,260
Bond/Interest	3,959	5,600	6,475	3,084	-	3,084	-
Debt	9,591	544	-	10,135	-	4,491	5,644
Totals	<u>\$ 16,017</u>	<u>\$ 23,072</u>	<u>\$ 24,197</u>	<u>\$ 14,892</u>	<u>\$ 18,724</u>	<u>\$ 17,712</u>	<u>\$ 15,904</u>

HELMER REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
General	\$ 10,260	\$ 20,469	\$ 22,553	\$ 8,176
Bond/Interest	-	-	-	-
Debt	5,644	-	5,644	-
Totals	<u>\$ 15,904</u>	<u>\$ 20,469</u>	<u>\$ 28,197</u>	<u>\$ 8,176</u>