

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

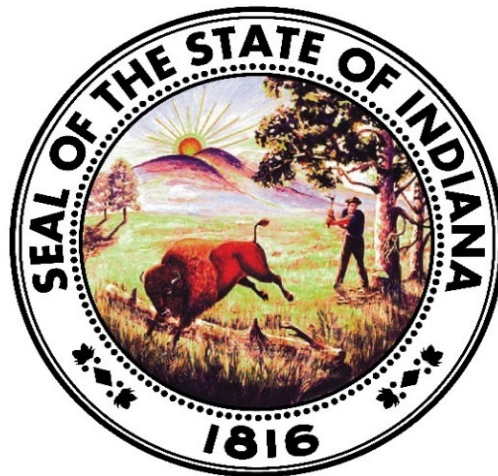
COMPLIANCE ENGAGEMENT REPORT

OF

LAKE OF THE WOODS REGIONAL SEWER DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2019 to December 31, 2022



**FILED**

05/13/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jonathon Oswald Mary Wood	01-01-19 to 07-31-20 08-01-20 to 12-31-24
President of the District Board	Kevin Hines	01-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE LAKE OF THE WOODS REGIONAL  
SEWER DISTRICT, MARSHALL COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Lake of the Woods Regional Sewer District (District), for the period of January 1, 2019 to December 31, 2022. 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 Mary Wood, Treasurer; Brittany Wood, Office Manager; and Kevin Hines, President of the District Board, on May 8, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 15, 2024

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
COMMENTS

**CONDITION OF RECORDS**

A similar comment also appeared in the prior Report B54776.

*Condition and Context*

Internal controls were not in place to ensure that the accounting software and Excel spreadsheet ledgers agreed. The District used an Excel spreadsheet ledger to complete the Annual Financial Report (AFR). This ledger was updated monthly using individual receipt slips and accounts payable vouchers. The District also utilized an accounting software that was updated monthly. The 2019-2022 receipt and disbursement reports obtained from the accounting software were not in agreement with the Excel spreadsheet ledger totals for 2019-2022. The accounting software reports and spreadsheet ledgers are not compared for accuracy, and the spreadsheet does not contain adequate input or output internal controls to provide reasonable assurance of the accuracy of the information used to prepare the AFR.

Comparison of Accounting Software and Funds Ledger Spreadsheets:

	Receipts				Disbursements			
	2019	2020	2021	2022	2019	2020	2021	2022
Accounting Software	\$ 250,547	\$ 255,345	\$ 239,562	\$ 260,545	\$ 137,450	\$ 467,798	\$ 257,094	\$ 311,514
Funds Ledger Spreadsheet	256,285	263,165	243,584	261,245	131,905	242,383	262,838	315,817
Difference	\$ (5,738)	\$ (7,820)	\$ (4,022)	\$ (701)	\$ 5,546	\$ 225,415	\$ (5,744)	\$ (4,303)

*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)

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. . . ."

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
COMMENTS  
(Continued)

***INTEREST ON INVESTMENTS***

A similar comment appeared in a Management Letter addressed to the officials of the District for the review period ending December 31, 2018.

*Condition and Context*

Internal controls were not in place to ensure that interest earned from certificates of deposit were reported as receipts on the maturity dates. Based on certificate of deposit maturity notices provided by the District, there were seven certificates of deposit that matured in 2021, with interest of \$7,045 earned. Two certificates that matured in 2021, were renewed as 12-month certificates in 2022. Interest earned from these two certificates that matured in 2022, was \$210. Interest earned from these certificates of deposit were tracked by hand in a paper ledger but were never reported as receipts in the year of maturity.

*Criteria*

Interest on investments should not be added automatically to the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (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

LAKE OF THE WOODS 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
Lake of the Woods Regional Sewer District Petty Cash	\$ 172	\$ 204	\$ 193	\$ 183	\$ -	\$ 38	\$ 145
Lake of the Woods Regional Sewer District Capital Improvement Fund	1,086,569	11,665	-	1,098,234	3,283	-	1,101,517
Lake of the Woods Regional Sewer District Cash Operation and Maintenance	<u>259,665</u>	<u>256,286</u>	<u>131,904</u>	<u>384,047</u>	<u>263,165</u>	<u>242,384</u>	<u>404,828</u>
Totals	<u>\$ 1,346,406</u>	<u>\$ 268,155</u>	<u>\$ 132,097</u>	<u>\$ 1,482,464</u>	<u>\$ 266,448</u>	<u>\$ 242,422</u>	<u>\$ 1,506,490</u>

LAKE OF THE WOODS 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
Lake of the Woods Regional Sewer District Petty Cash	\$ 145	\$ -	\$ -	\$ 145	\$ -	\$ -	\$ 145
Lake of the Woods Regional Sewer District Capital Improvement Fund	1,101,517	-	4	1,101,513	-	-	1,101,513
Lake of the Woods Regional Sewer District Cash Operation and Maintenance	<u>404,828</u>	<u>243,584</u>	<u>259,871</u>	<u>388,541</u>	<u>261,246</u>	<u>316,887</u>	<u>332,900</u>
<b>Totals</b>	<u>\$ 1,506,490</u>	<u>\$ 243,584</u>	<u>\$ 259,875</u>	<u>\$ 1,490,199</u>	<u>\$ 261,246</u>	<u>\$ 316,887</u>	<u>\$ 1,434,558</u>