

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

COMPLIANCE ENGAGEMENT REPORT
OF
FALLING WATERS CONSERVANCY DISTRICT
PORTER COUNTY, INDIANA
January 1, 2019 to December 31, 2023



FILED
06/18/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Karen Giesler	01-01-19 to 12-31-24
District Board Members	Pete Kovacik	01-01-19 to 11-11-19
	Rich Arnold	01-01-19 to 12-31-22
	Dave Cullom	01-01-19 to 12-31-24
	Mark Langbehn	01-01-19 to 12-31-21
	Jason Spasoff	01-01-20 to 12-31-20
	Nick Kaczmarczyk	01-01-21 to 12-31-22
	Don Plumb	01-01-23 to 12-31-24
	Mark Langbehn	01-01-23 to 12-21-24



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TO: THE OFFICIALS OF THE FALLING WATERS CONSERVANCY
DISTRICT, PORTER COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Falling Waters Conservancy 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 Karen Giesler, Financial Clerk; Dave Cullom, Chair of the District Board; Mark Langbehn, District Board member; Don Plumb, District Board member; and Nathan Vis, Attorney, on June 6, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

April 30, 2024

FALLING WATERS CONSERVANCY 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 noncompliance over the annual financial report, receipts and receipt issuance, errors on claims, and claim approval compliance requirements, 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. . . ."

ANNUAL FINANCIAL REPORT

Condition and Context

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District had not established effective procedures over the AFR information entered into Gateway. This resulted in errors in reporting of financial activity and investments in 2023, and in reported capital assets for the years 2019 through 2023.

Financial Activity

The District did not accurately report receipt and disbursement activity during 2023. The receipt and disbursement activity included the creation of and transfer of funds into a Certificate of Deposit (CD) fund account for CD investments purchased from the Capital Reserve fund. This overstated reported receipts and disbursements by \$250,000 each, and underreported the cash and investment balance of the Capital Reserve fund's ending balance.

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

Investments

The District did not accurately report investment activity during 2023. The Investment Fund Statement reported no investment activity or outstanding investments as of December 31, 2023. However, the District had investment principal as of December 31, 2023, of \$256,309. The investment had been purchased in April 2023 and renewed in November 2023.

FALLING WATERS CONSERVANCY DISTRICT
COMMENTS
(Continued)

Capital Assets

The District did not provide records to support the capital asset information entered into Gateway for the five years of the engagement period (2019 to 2023). For each year, the District reported capital assets of \$6,504,687. The capital asset record provided for 2020 only contained one asset with a reported cost of \$866. Additionally, an asset of \$7,788 was purchased in 2023 but was not recorded or reported.

Additionally, the District did not provide evidence that a physical inventory was performed annually in accordance with the District's capital asset policy.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

RECEIPTS AND RECEIPT ISSUANCE

Condition and Context

Testing of receipts noted the following:

- For funds received for tap on fees, which consists of 4 of 25 receipts tested, a receipt was not issued for these transactions. The amounts were recorded in the financial ledger without a receipt number.
- There were three instances of receipts that were issued and recorded in the financial ledger after the deposit was made.
- One customer account record reflected a \$100 stormwater payment. Review of the bank deposit ticket noted two checks from the customer for \$100 and \$200. It could not be determined what the \$200 payment was for as it was not recorded in the customer's account history.
- In reviewing the deposit tickets, customer names were written on the ticket for each payment received, but the customer account histories are maintained by street address or lot number, which makes verification of payments difficult. Support documents for accounts paid for by a developer did not always include the lot or street address; therefore, which accounts were paid for could not always be determined.

FALLING WATERS CONSERVANCY DISTRICT
COMMENTS
(Continued)

- Additionally, the deposit tickets or other hand-written documents had notations by each amount listed as to what fund it was to be receipted into. The District did not use a report of collections or other documentation to support the receipt issued and the amounts recorded in the ledgers or the customer account histories.

Criteria

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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)

ERRORS ON CLAIMS

Condition and Context

The following claims errors were observed in testing of disbursements:

- In 2021, two of five disbursement claims tested lacked supporting documentation for a check issued in January for \$600 and an Electronic Funds Transfer (EFT) payment made in November for \$315. Additionally, a third disbursement, an EFT, made for a utility payment in July for \$53 lacked a claim and supporting statement or invoice.
- In 2022, one of five claims tested could not be determined if it was posted to the proper fund. A check for \$300 was issued in June for repairs. The check was labeled Capital Reserve fund; however, this payment was recorded in the ledger in the Stormwater fund.
- In a separate test, a check for \$30 was issued in November 2023 to a contracted individual for notary services. The check was observed on the bank statement and in the ledger. However, no claim or documentation was kept on file to support this payment disbursement.

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:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

FALLING WATERS CONSERVANCY DISTRICT
COMMENTS
(Continued)

- (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. . . ."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for examination to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CLAIM APPROVAL

Condition and Context

Indiana statute requires that claims be approved by the District Board. The District Board can either sign the claims individually or sign a claim docket to allow the claims to be paid. The District Board's practice to document approval of claims was to sign the claims individually. A review of claims determined that the District Board did not sign claims to document its approval for disbursements made for the months of February to June and August to December of 2020. This also occurred with disbursements made in January, February, and December of 2021.

Additionally, two of five disbursements tested in 2021 did not have claims forms, and, therefore, were not approved by the District Board.

Criteria

Indiana Code 5-11-10-1.69(c) states in part:

"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. . . ."

Indiana Code 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer.

(b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. . . ."

FALLING WATERS CONSERVANCY DISTRICT
COMMENTS
(Continued)

Indiana Code 14-33-5-20.5 states:

"(a) A board may adopt a resolution allowing money to be disbursed for lawful district purposes under this section.

(b) Notwithstanding [IC 5-11-10](#), with the prior written approval of the board, the financial clerk of the district may make claim payments in advance of board allowance for the following kinds of expenses if the board has adopted a resolution under subsection (a):

- (1) Property or services purchased or leased from the United States government, its agencies, or its political subdivisions.
- (2) License or permit fees.
- (3) Insurance premiums.
- (4) Utility payments or utility connection charges.
- (5) General grant programs for which advance funding is not prohibited and the contracting party posts sufficient security to cover the amount advanced.
- (6) Grants of state funds authorized by statute.
- (7) Maintenance or service agreements.
- (8) Leases or rental agreements.
- (9) Bond or coupon payments.
- (10) Payroll.
- (11) State or federal taxes.
- (12) Expenses that must be paid because of emergency circumstances.
- (13) Expenses described in a resolution.

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the financial clerk of the district.

(d) The board shall review and allow the claim at its next regular or special meeting following the preapproved payment of the expense."

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

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FALLING WATERS 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
Falling Waters Conservancy District Centier Operating	\$ 51,803	\$ 105,170	\$ 114,912	\$ 42,061	\$ 121,843	\$ 140,975	\$ 22,929
Falling Waters Conservancy District Centier Stormwater	28,753	14,667	36,674	6,746	28,801	23,686	11,861
Falling Waters Conservancy District Centier Capital Reserve	<u>168,691</u>	<u>107,635</u>	<u>61,878</u>	<u>214,448</u>	<u>162,845</u>	<u>36,405</u>	<u>340,888</u>
Totals	<u>\$ 249,247</u>	<u>\$ 227,472</u>	<u>\$ 213,464</u>	<u>\$ 263,255</u>	<u>\$ 313,489</u>	<u>\$ 201,066</u>	<u>\$ 375,678</u>

FALLING WATERS CONSERVANCY 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
Falling Waters Conservancy District Centier Operating	\$ 22,929	\$ 123,574	\$ 125,195	\$ 21,308	\$ 165,725	\$ 109,610	\$ 77,423
Falling Waters Conservancy District Centier Stormwater	11,860	16,865	20,965	7,760	20,752	16,845	11,667
Falling Waters Conservancy District Centier Capital Reserve	<u>340,889</u>	<u>191,004</u>	<u>98,536</u>	<u>433,357</u>	<u>248,428</u>	<u>263,514</u>	<u>418,271</u>
Totals	<u>\$ 375,678</u>	<u>\$ 331,443</u>	<u>\$ 244,696</u>	<u>\$ 462,425</u>	<u>\$ 434,905</u>	<u>\$ 389,969</u>	<u>\$ 507,361</u>

FALLING WATERS CONSERVANCY 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
Falling Waters Conservancy District Centier Operating	\$ 77,425	\$ 198,261	\$ 118,529	\$ 157,157
Falling Waters Conservancy District Centier Stormwater	11,666	24,206	28,364	7,508
Falling Waters Conservancy District Centier Capital Reserve	418,271	148,381	207,829	358,823
Totals	\$ 507,362	\$ 370,848	\$ 354,722	\$ 523,488

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June 12, 2024

Indiana State Board of Accounts
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RE: Exit Interview/Review from January 1, 2019 to December 31, 2023

To Whom It May Concern:

Please find in following, the reply of the Falling Waters Conservancy District Examination Results and Comments.

Internal Controls and Annual Financial Report. As was shared prior to and during the course of the exit interview, to take advantage of the increase in interest rates, the Board has maintained a separate account by which future capital reserves are placed in conservative CDs to gain interest thereby. It is the Board's understanding that the State Board of Accounts desires that the monies made from these investment activities be reported in a manner different from how they have been reported to date, and the Board will update said mechanism moving forward.

Capital Assets. The Board has maintained the purchase of the physical personal property items, since the approval of its personal property capital inventory asset, for the past five years. It is our understanding, that the State Board of Accounts also desires a physical capital asset plan to be maintained, which will be subsequently developed.

Receipts and Receipt Issuance. In review of the concerns notated, it was discovered that a variety of receipts, were all available to counter the concern that receipts were not issued for transactions. Moving forward, a copy of all receipts and/or tickets will be applied to each month's payment statements, or alternatively an Excel spreadsheet may be created, to make it easier for the State Board of Accounts in their review in subsequent years. Of note, full and clear documentation of all expenses and receipts were provided to the State Board of Accounts.

It was observed, that there were two disbursements made in 2021, which may have lacked supporting documentation. As shared, the \$600 transaction in January of 2021 was a pass-through

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transaction, whereby the Conservancy District inadvertently received a \$600 Homeowner's Association payment from a resident, rather than being applied to the HOA. This check was deposited into the District account and subsequently passed on to the HOA. The other two items referenced, were in reference to a NSF check, and a NIPSCO payment.

The check remitted in 2022 to the contractor for dock repairs has been properly aligned out of the capital reserve fund, as well as has been notated, that a check issued in November of 2023 for notary services was indeed for notary services for the District.

Claim Approval. A review of the State Board of Accounts indicated an allegation that the Conservancy District did not sign claims in 2020. As was shared, Chairman Rich Arnold clearly signed the backside of all claim forms and thus approval was proper. Additionally, question was raised as to the payment of ongoing traditional payments, such as for insurance, NIPSCO, and electricity, prior to the subsequent month where said invoices could be approved. A resolution has been formerly adopted by the Board, to approve these payments in advance of subsequent approval at future meetings.

I trust this brings resolution to this matter. Thank you in advance for your scrutiny of our records.

Respectfully,

/s/Nathan D. Vis

Nathan D. Vis

NDV/cso

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