

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

SUPPLEMENTAL COMPLIANCE REPORT
OF
KOONTZ LAKE REGIONAL SEWER DISTRICT
STARKE COUNTY, INDIANA
January 1, 2013 to December 31, 2014



FILED
02/12/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Michael B. McKenna	01-01-13 to 12-31-15
President of the Board	Paul Warnke (Vacant) Gerald Weber	01-01-13 to 07-10-14 07-11-14 to 08-18-14 08-19-14 to 12-31-15



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE KOONTZ LAKE REGIONAL
SEWER DISTRICT, STARKE COUNTY, INDIANA

This report is supplemental to our examination report of the Koontz Lake Regional Sewer District (District), for the period from January 1, 2013 to December 31, 2014. It has been provided as a separate report so that the reader may easily identify any Examination Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement Examination Report of the District, which provides our opinion on the District's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Examination Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Examination Results and Comments, incorporated within this report, was not verified for accuracy.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 19, 2015

KOONTZ LAKE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

ORDINANCES AND RESOLUTIONS

The District has not created an operation and maintenance fund or sinking fund or separate construction account as required by bond ordinance 2009-01. The District's financial statement reports all financial transactions in a General fund.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OFFICIAL BOND

The Treasurer did not obtain an individual Surety Bond.

Indiana Code 13-26-2-10 states in part:

"(a) If the commissioner determines that the findings show that the establishment of a recommended district:

- (1) complies with the conditions of this chapter for establishment of a district; and (2) appears capable of accomplishing the purpose or purposes in an economically feasible manner; the commissioner shall issue an order directing that the district be established as an independent municipal corporation with a name and for the purposes designated in the order.

(b) An order must do the following:

- (1) Provide for the selection or appointment and terms of offices, not to exceed four (4) years, of the board.
- (2) Provide requirements for sufficient bond for all officers, trustees, or employees having power to dispense money of the district."

KOONTZ LAKE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

A letter from the United States Department of Agriculture Rural Development to the Regional Sewer District April 28, 2009, titled "Letter of Conditions" states in part:

"12. Insurance and Bonding Requirements, . . . c. Position Fidelity Bond(s):

All positions occupied by persons entrusted with the receipt and/or disbursement of funds must be bonded. You should have each position bonded in an amount equal to the maximum of funds to be under the control of that position at any one time. The minimum coverage acceptable to the Agency will be for each position to be bonded for an amount at least equal to one annual installment on your loan(s). The coverage may be increased during construction of this project based on the anticipated monthly advances. The amount of coverage should be discussed and approved by the Agency."

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded in the District's records at the time the transactions occurred. Our test found that while collections were posted to the records, no receipts had been issued.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

KOONTZ LAKE REGIONAL SEWER DISTRICT

P.O. Box 204
Walkerton, IN 46574

KOONTZ LAKE REGIONAL SEWER DISTRICT EXAMINATION RESULTS AND COMMENTS 2013-2014

ORDINANCES AND RESOLUTIONS

The Regional Sewer District has not created an operation and maintenance fund or sinking fund or separate construction account as required by bond ordinance 2009-01. The District's financial statements show all financial transactions accounted for in a general fund.

KOONTZ LAKE REGIONAL SEWER DISTRICT RESPONSE:

The KLRSD has defined the following funds in 2015 for reporting purposes:

Operating
Principle and Interest (Sinking Fund)
Debt Service
Capital Improvement

There are no current construction plans nor funds available for construction and therefore no separate construction account has been defined.

OFFICIAL BOND

The Treasurer did not obtain an individual surety bond.

KOONTZ LAKE REGIONAL SEWER DISTRICT RESPONSE:

The KLRSD has secured a \$250,000 Criminal Crime Coverage policy which covers all Board members and satisfies bonding requirements according to the USDA Rural Development local office.

.....
This institution is an equal opportunity provider and employer.

KOONTZ LAKE REGIONAL SEWER DISTRICT


P.O. Box 204
Walkerton, IN 46574

RECEIPT ISSUANCE

We conducted a test designed to verify that receipts issued were properly recorded in the District's records at the time the transactions occurred. Our test of this procedure found that while collections were posted to the records, no receipts had been issued.

KOONTZ LAKE REGIONAL SEWER DISTRICT RESPONSE:

The KLRSD will utilize State Board of Accounts Form 352 to record all receipts.


TREASURER KLRSD
10/19/15

This institution is an equal opportunity provider and employer.

KOONTZ LAKE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2015, with Michael B. McKenna, Treasurer, and with Gerald Weber, President of the Board.