

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT

JENNINGS COUNTY, INDIANA

January 1, 2017 to December 31, 2020



FILED
02/14/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Charlanne McHaley	01-01-17 to 12-31-22
President of the District Board	Chad Pittman Chris Shook (interim)	01-01-17 to 06-30-18 07-01-18 to 12-31-22



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE CAMPBELL TOWNSHIP REGIONAL
SEWER DISTRICT, JENNINGS COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Campbell Township Regional Sewer District (District), for the period of January 1, 2017 to December 31, 2020. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the District uses is an acceptable basis for the preparation of the financial statements in the circumstances. 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 misstatements whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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 comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.


Paul D. Joyce, CPA
State Examiner

February 7, 2022

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
General Fund	\$ 6,990	\$ 89,202	\$ 87,990	\$ 8,202	\$ 113,699	\$ 115,955	\$ 5,946
Debt Reserve	52,379	351	-	52,730	848	-	53,578
Bond and Interest	<u>25,297</u>	<u>46,548</u>	<u>50,538</u>	<u>21,307</u>	<u>55,324</u>	<u>50,759</u>	<u>25,872</u>
Totals	<u>\$ 84,666</u>	<u>\$ 136,101</u>	<u>\$ 138,528</u>	<u>\$ 82,239</u>	<u>\$ 169,871</u>	<u>\$ 166,714</u>	<u>\$ 85,396</u>

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

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2019 and 2020

<u>Fund</u>	<u>Cash and Investments 01-01-19</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-19</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-20</u>
General Fund	\$ 5,946	\$ 152,688	\$ 141,044	\$ 17,590	\$ 129,685	\$ 129,404	\$ 17,871
Bond and Interest	25,872	48,622	51,917	22,577	56,427	51,144	27,860
Debt Reserve	<u>53,578</u>	<u>1,123</u>	<u>-</u>	<u>54,701</u>	<u>270</u>	<u>-</u>	<u>54,971</u>
Totals	<u>\$ 85,396</u>	<u>\$ 202,433</u>	<u>\$ 192,961</u>	<u>\$ 94,868</u>	<u>\$ 186,382</u>	<u>\$ 180,548</u>	<u>\$ 100,702</u>

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

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS

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:

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

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:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Supplies. Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

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.

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. 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.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. 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.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS

INTERNAL CONTROLS

The same comment also appeared in prior Report B50348.

Condition and Context

There were deficiencies in the internal control system of the District related to financial transactions and reporting. The District did not have proper segregation of duties as it had not separated incompatible activities related to cash, receipts, disbursements, and financial close and reporting. One individual was primarily responsible for collecting, recording, and depositing all receipts, writing and posting checks, completing the bank reconciliations, and preparing and submitting the Annual Financial Report (AFR) in the Indiana Gateway for Government Units financial reporting system. There were no internal controls in place, such as an oversight, review, or approval process, to prevent, or detect and correct, irregularities, errors, misstatements, or noncompliance.

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 REPORT

A similar comment also appeared in prior Report B50348, entitled *ANNUAL FINANCIAL REPORT*, and Report B38207, entitled *ANNUAL REPORT NOT FILED*.

Condition and Context

The Annual Financial Reports (AFR) filed for 2017, 2018, 2019, and 2020 on the Indiana Gateway for Government Units financial reporting system contained a number of errors and did not properly reflect the financial activity of the District. The AFRs were the source of the financial statements. The AFRs contained the following errors:

1. The District did not report General fund receipts and disbursements on its AFR until the items cleared the bank, which resulted in timing differences between the AFR and the District's ledger. Receipts reported in this fund were understated in 2017 and 2018, and were overstated in 2019. Disbursements reported in this fund were overstated in 2017, 2018, and 2020, and were understated in 2019.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

2. The District's Bond and Interest fund, maintained by a trustee, was not properly reported in the AFR. The 2017 beginning balance reported was understated in the amount of \$25,297. Receipts reported in this fund were overstated in 2017 and 2019, and were understated in 2018 and 2020. Disbursements reported in this fund were understated in 2019 and 2020. The 2020 ending balance reported was overstated in the amount of \$19,840.
3. The District's Debt Reserve fund, maintained by a trustee, was not properly reported in the AFR. Receipts reported in this fund were understated in 2018 and were overstated in 2019.

Adjustments were proposed, accepted by the District, and made to the financial statements.

Additionally, the District's AFRs for 2017, 2018, 2019, and 2020 were not filed electronically until September 9, 2019; September 9, 2019; July 14, 2020; and March 30, 2021, respectively, which were 557, 192, 136, and 29 days past the due date.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

TRANSACTION RECORDING

Condition and Context

Bond and Interest fund and Debt Reserve fund transactions handled by a trust company were not properly recorded in the District's ledger. One Bank of New York account was created in the ledger, but the only transactions posted to the account were transfers from the District to the trustee. Debt payments made by the trustee and interest earned were not recorded in the ledger.

Criteria

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)

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

A similar comment also appeared in prior Report B50348, entitled *ERRORS ON CLAIMS*.

Condition and Context

The following issues were identified during a review of claims:

1. Nine claims selected for review were not signed by the officer or person receiving the goods or services.
2. Seven claims selected for review were not certified by the fiscal officer.
3. Seven claims selected for review were not approved by the governing board.

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
- (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. . . ."

ADOPTION OF, AND TRAINING ON, INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B50348, entitled *INTERNAL CONTROL STANDARDS*.

Condition and Context

The District had not adopted the minimum internal control standards required by statute. The District also had not provided the required training on internal control standards to District personnel.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

Criteria

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

In the Annual Financial Reports filed for 2017 and 2020, the District erroneously certified that internal control standards were adopted by the District Board and that District personnel had received training on the internal control standards. During our review, we determined the District had not adopted internal control standards or provided the required training.

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 not later than sixty (60) days after the close of each fiscal year. 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](#)."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2022, with Charlanne McHaley, Treasurer; Chris Shook, interim President of the District Board; Chad Pittman, former President of the District Board; and Carrie McHaley, Bookkeeper.