

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TOWN OF WHITESTOWN

BOONE COUNTY, INDIANA

January 1, 2019 to December 31, 2020



FILED
03/01/2022

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Transmittal Letter	3
Clerk-Treasurer:	
Audit Results and Comments:	
Capital Assets	6
Bank Reconcilements	6
Internal Controls	6-7
Annual Financial Report	7-8
Official Response	9-11
Exit Conference	12
Town Council:	
Audit Result and Comment:	
Capital Assets	14
Official Response	15-17
Exit Conference	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Matthew Sumner	01-01-19 to 12-31-22
President of the Town Council	Clinton Bohm	01-01-19 to 12-31-22
Utility Office Manager	Nicole Rountree	01-01-19 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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TO: THE OFFICIALS OF THE TOWN OF WHITESTOWN, BOONE COUNTY, INDIANA

This report is supplemental to our audit report of the Town of Whitestown (Town), for the period from January 1, 2019 to December 31, 2020. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the Town. It should be read in conjunction with our Financial Statement Audit Report of the Town, which provides our opinions on the Town'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 Audit 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 Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

February 17, 2022

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CLERK-TREASURER
TOWN OF WHITESTOWN

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS

CAPITAL ASSETS

Condition and Context

The Town provided a capital assets inventory as of December 31, 2020; however, the documentation was not detailed or complete. Several capital assets were omitted, and others were duplicated from the inventory. Additionally, the Town had not adopted a formal capital assets policy.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. 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 Cities and Towns, Chapter 1)

BANK RECONCILEMENTS

A similar comment also appeared in prior Report B54791.

Condition and Context

On December 31, 2019, the bank balance exceeded the record balance by \$105,038. The Town did not provide an outstanding transaction list for the general bank account to ensure amounts could be verified to the bank reconciliation. In addition, on December 31, 2020, the bank balance was \$269,806 less than the record balance.

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 Towns, Chapter 1)

INTERNAL CONTROLS

A similar comment also appeared in prior Report B54791.

Condition and Context

There were deficiencies in the internal control system of the Town related to financial close and reporting and cash and investments.

Financial Close and Reporting

A third-party entered and submitted financial information for the Town into the Indiana Gateway for Government Units financial reporting system, which was the source of the Annual Financial Report (AFR) and the financial statement. Although the Town had designed and implemented a system of internal controls to review and approve the AFR, those internal controls were not effective as the financial statement contained material misstatements.

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

Cash and Investments

The Town designed, but did not properly implement, a system of internal controls over cash and investment balances. The Town contracted with a third-party to complete bank reconciliations for all utility related funds; however, there was no documentation that the internal controls in place were being implemented during the audit period, such as evidence of oversight, review, or the approval process by the Town's management.

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

Condition and Context

The Annual Financial Report was derived from the financial information submitted by the Clerk-Treasurer into the Indiana Gateway for Government Units financial reporting system, which was the source of the financial statement and contained the following errors:

1. In 2019, the Fire Station Construction Fund receipts were understated by \$1,200,000, and disbursements were understated by \$101,800, which understated the ending cash balance by \$1,098,200 as of December 31, 2019.
2. The 2020 GO Bond fund disbursements were overstated by \$1,905,119 for the year ended December 31, 2020, which understated the ending cash balance by \$1,905,119 as of December 31, 2020.
3. The 2020A Water Refunding Bond fund overstated receipts and disbursement by \$2,390,620, which caused the fund to have no activity and was excluded from the financial statement for the year ended December 31, 2020.
4. The Water 2009 Srf Bond And Interest fund overstated receipts and disbursements by \$1,781,672 for the year ended December 31, 2020.

CLERK-TREASURER
TOWN OF WHITESTOWN
AUDIT RESULTS AND COMMENTS
(Continued)

5. The Sewer Refunding Bond 2020A fund overstated receipts and disbursements by \$3,039,397, which caused the fund to have no activity reported and was excluded from the financial statement for the year ended December 31, 2020.
6. The Wastewater 2009 Srf Bond And Interest fund overstated receipts and disbursements by \$1,838,151 for the year ended December 31, 2020.
7. The 2016 Sewer BAN fund overstated receipts and disbursements by \$2,300,000 for the year ended December 31, 2020.
8. The Wastewater 2020B Bond fund overstated receipts by \$2,300,000, and disbursements by \$2,311,914, which overstated the ending cash balance by \$11,914 for the year ended December 31, 2020.
9. The Wastewater Bond And Interest fund overstated receipts and disbursements by \$787,189 for the year ended December 31, 2020.
10. Other immaterial errors were made that overstated receipts and disbursements for the year ended December 31, 2020.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in the Financial Statement Audit 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 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](#)."



TOWN OF WHITESTOWN
6210 VETERANS DRIVE
WHITESTOWN, IN 46075

317-769-6557 PHONE

317-769-6871 Fax

February 25, 2022

“OFFICIAL RESPONSE”

Via Regular Mail & Email (officialresponse@sboa.in.gov)

State Board of Accounts
Official Response
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Re: Town of Whitestown Response to 2019 and 2020 Examination Results and Audit Comments as Presented by the State Board of Accounts (“SBOA”)

To Whom It May Concern:

The Town of Whitestown (“Town”) writes to respond to the audit comments as presented to the Town at its February 17, 2022 exit conference and in subsequent communications with SBOA auditors.

First, the Town is again pleased to learn that the financial statements are “unmodified” – meaning that the Town’s financial records fairly presented, in all material respects, the finances and results of operations of the Town for the audited periods. The Town further notes that as a result of its financial health, stability, and policies, Standard & Poor’s (“S&P”) issued an upgraded bond rating for the Town in 2021 of “AA+” on the Town’s strong financial management, with a stable outlook. The Town’s fiscal policies and management have allowed it to continually find opportunities to improve services and investment in the community under favorable terms for its residents and business.

With respect to the Town’s financial records and reporting to the state, the Town notes two recent changes in its operations. In 2020, the Town undertook a comprehensive changeover in its financial software to a new provider and platform. In addition, in late 2021 the Town replaced its longtime outside financial consultants with a new firm. While these types of transitions are not always convenient at the time of the change, the Town believes the changes will allow it to be more efficient and timely in its financial reporting processes, and continually improve upon internal controls.

With respect to the Supplemental Report comments, the Town responds as follows:

Capital Assets

The Town will be adopting a formal capital assets policy, including updating its capital asset list on a regular basis.

Bank Reconcilements

The 2019 excess balance was the result of outstanding checks paid by the Town but never negotiated (cashed) by the vendor/recipient. The Town had difficulty obtaining copies of the outstanding checks from its former financial software provider. The 2020 balance difference (between the Town's records and the state's record balance in the Town's reports to the state) was caused by a data entry error in the Town's report to the state, while the Town's records were correct. The Town anticipates that changes in providers and processes referenced above will help avoid these comments in the future.

Internal Controls

The Internal Controls comment is in reference to the other comments in the report and addressed herein. As the comment outlines, the Town has designed and implemented controls to review and approve the AFR, but those controls did not catch every error in the final report filed with the state. The Town again anticipates that the changes referenced above will help avoid the comment in the future.

Annual Financial Report

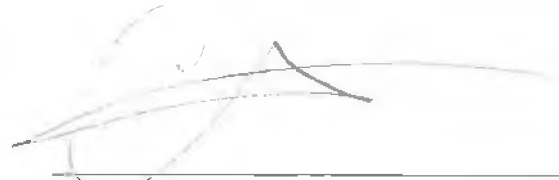
Of the nine (9) items identified in the comment, the Town notes that eight (8) are due to the Town reporting bond refundings on its Annual Financial Report (AFR). A bond refunding typically occurs when the Town can obtain a more favorable interest rate on debt and therefore "refinances" its existing debt, often as a result of its upgraded financial rating by S&P. Based on the advice of its prior financial consultant, the Town reported these refundings (money in and money out) on its AFR even though the funds would typically not pass through the Town's hands. The SBOA auditors have now advised the Town that these refundings should not be reported on the AFR. In other words, the Town over-reported on its AFR transactions that it did not need to report. The Town will work with its new financial consulting firm to report future refundings as directed by the SBOA. The other items were due to a data entry error in the report filed with the state, and the Town again anticipates that changes referenced above will help avoid a similar comment in the future. As outlined in the comment, the Town has already made all proposed adjustments to the financial statements.

Thank you for your assistance and service.

Sincerely,



Matt Sumner
Clerk-Treasurer



Clinton Bohm
Town Council President

4318452

CLERK-TREASURER
TOWN OF WHITESTOWN
EXIT CONFERENCE

The contents of this report were discussed on February 17, 2022, with Matthew Sumner, Clerk-Treasurer; Arren Miller, Deputy Clerk-Treasurer; Danny Powers, Public Works Director; Clinton Bohm, President of the Town Council; Stephen Unger, Town Attorney; Nathan Fox, Project Manager at Krohn & Associates; and Jarrod Hall, Town Consultant and Partner at Krohn & Associates.

TOWN COUNCIL
TOWN OF WHITESTOWN

TOWN COUNCIL
TOWN OF WHITESTOWN
AUDIT RESULT AND COMMENT

CAPITAL ASSETS

Condition and Context

The Town did not adopt a formal capital assets policy.

Criteria

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Annual Financial Report

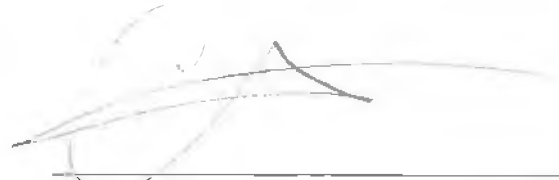
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Clinton Bohm
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