

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

NORTHWEST JASPER REGIONAL WATER DISTRICT

JASPER COUNTY, INDIANA

January 1, 2020 to December 31, 2021



FILED
07/08/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Donald Goetz	01-01-20 to 12-31-22
President of the District Board	Andrew Andree	01-01-20 to 12-31-22



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE NORTHWEST JASPER REGIONAL
WATER DISTRICT, JASPER COUNTY, INDIANA

This report is supplemental to our audit report of the Northwest Jasper Regional Water District (District), for the period from January 1, 2020 to December 31, 2021. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with our Financial Statement Audit Report of the District, which provides our opinions 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 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

June 21, 2022

NORTHWEST JASPER REGIONAL WATER DISTRICT
AUDIT RESULTS AND COMMENTS

FINANCIAL TRANSACTIONS AND REPORTING

A similar comment also appeared in prior Report B56273, entitled *FINDING 2019-003: MINIMUM LEVEL OF INTERNAL CONTROLS*.

Condition and Context

There were deficiencies in the internal control system of the District related to financial transactions and reporting. The District had not established a system of effective internal controls or separated incompatible activities related cash and investments, receipts, disbursements, and financial reporting.

Cash and Investments

The District had implemented a system of internal controls over the monthly bank reconciliements; however, the process was not effective in ensuring that all accounts were included. Six new accounts were opened in 2021 related to the issuance of new debt, but were omitted from the monthly reconciliements.

Receipts

One individual was responsible for posting the receipts, preparing the deposit ticket, and depositing the money. Another individual reviewed the total receipts agreed to the deposit ticket. An adequate review or oversight process had not been designed or implemented to ensure the accuracy, completeness, and proper classification of receipts recorded.

In addition, a system of internal controls was not in place to ensure that all receipt transactions were posted to the ledger. The District did not post amounts received related to the issuance of new debt in 2021.

Disbursements

The District did not have effective internal controls in place to ensure the accuracy, completeness, and proper classification of disbursements recorded. In addition, a system of internal controls was not in place to ensure that all disbursement transactions were posted to the ledger. The District did not post amounts disbursed related to the issuance of new debt in 2021.

Financial Reporting

The District had not established an effective system of internal controls to verify that all financial activity related to the District were included in the financial statement. The District issued new debt in 2021 for improvements, but the financial activity and cash and investment balances of the six new accounts were not recorded in the ledgers or reported in the financial statement. This resulted in the understatement of receipts, disbursements, and cash and investment balances by \$8,200,938; \$3,502,060; and \$4,698,878; respectively.

In addition, the 2020 and 2021 bond anticipation notes were posted at the net value received instead of posting the gross proceeds and the related disbursements. This resulted in an understatement of the Water Construction in Progress fund receipts and disbursements for 2020 and 2021 by \$253,500 and \$209,631, respectively.

Audit adjustments were proposed, accepted by the District, and made to the financial statement.

NORTHWEST JASPER REGIONAL WATER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

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. . . ."

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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](#)."

ANNUAL FINANCIAL REPORT - OTHER INFORMATION

Condition and Context

The District was not in compliance with the Other Information within the Annual Financial Report as follows:

Combining Schedules

The District omitted the financial activity and balances for six funds related to the issuance of new debt as of December 31, 2021, from the Combining Schedules. The activity of the Water Construction in Progress fund reported in the Combining Schedules was determined to be understated. These errors resulted in a material understatement of receipts, disbursements, and cash and investment balances of the Combining Schedules.

NORTHWEST JASPER REGIONAL WATER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

Adjustments were proposed, approved by the District, and made to the Combining Schedules.

Schedule of Capital Assets

The District did not maintain a complete and accurate detailed listing of all capital assets owned that supported the capital assets originally reported in the Schedule of Capital Assets. The District approved the omission of the Schedule of Capital Assets from the Financial Statement Report. In addition, the District did not complete a physical inventory at least every two years as required.

Schedule of Payables and Receivables

The District did not maintain a complete and accurate listing of all accounts payable and receivable that were originally reported in the Schedule of Payables and Receivables. The District approved the omission of the Schedule of Payables and Receivables from the Financial Statement Audit Report.

Investment Fund Statement

The District did not report anything on its Cash and Investment Fund Statement in the Indiana Gateway for Government Units financial reporting system.

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](#)."

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 Special Districts, Chapter 1)

NORTHWEST JASPER REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 21, 2022, with Donald Goetz, Treasurer; Andrew Andree, President of the District Board; Kent Bierma, Vice President of the District Board; Margaret Michelin, Secretary of the District Board; and Michael Cain, Town of DeMotte Town Manager.