



STATE OF INDIANA
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B59927

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

October 4, 2022

TO: THE OFFICIALS OF THE ADAMS LAKE REGIONAL SEWAGE
DISTRICT, LAGRANGE COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Adams Lake Regional Sewage District (District), LaGrange County, for the period of January 1, 2018 to December 31, 2021, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The District's Annual Financial Reports filed by management can be found on the Gateway Website: www.gateway.ifionline.org.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Comments

CAPITAL ASSETS

Condition and Context

The District did not have a capital asset policy that detailed the threshold at which an item is considered a capital asset. The District did not maintain a sufficient detailed listing of all capital assets owned through use of an approved Capital Asset Ledger (Form 369). The District did not complete a physical inventory of its capital assets at least every two years.

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 Special Districts, Chapter 1)

MATERIALITY THRESHOLD

A similar comment also appeared in prior Report B51762, entitled *MATERIALITY THRESHOLD*.

Condition and Context

The District had not adopted a materiality threshold.

Criteria

. . . In general, each political subdivision must develop their own policy on materiality because the causes of irregular variances, losses, shortages, and thefts are as broad and varied as the political subdivisions in which the incidents occur. For example, a \$500 variance in Fort Wayne is not necessarily as concerning as a \$500 variance in Pershing Township, Jackson County. On the other hand, a \$100 variance in Fort Wayne that occurs every Friday may be material. Moreover, each political subdivision is the best determiner of the qualitative and quantitative factors unique to the unit in arriving at materiality.

Political subdivisions must recognize that variances, losses, shortages, and thefts may occur. If an incident occurs, it is imperative that the political subdivision have a policy in place that outlines the steps to be taken. Such a policy must include a materiality threshold at which point the political subdivision reports incidents to the State Board of Accounts.

The policy must be detailed, and it is essential that materiality thresholds distinguish between incidents involving cash and other types of assets. The policy needs to address maintenance of documentation and resolution of incidents that do not meet the materiality threshold.

The policy must also consider Ind. Code § 5-11-1-27(l), which requires public officials who have actual knowledge of or reasonable cause to believe that there has been a misappropriation of public funds to immediately send written notice of the misappropriation to the State Board of Accounts and the prosecuting attorney. There is *no* materiality threshold applicable to Ind. Code § 5-11-1-27(l). Thus, whenever a political subdivision has actual knowledge or is reasonably certain that a misappropriation of public funds has occurred (regardless of the dollar amount), the political subdivision must send written notice of the misappropriation to the State Board of Accounts and the local prosecuting attorney. Misappropriation occurs when an employee or in-house contractor of the political subdivision wrongly takes or embezzles public funds. When there is a known misappropriation or embezzlement of public funds by an internal actor, materiality is irrelevant. Indiana law requires the political subdivision to report the activity to the State Board of Accounts and the local prosecutor. Ind. Code § 5-11-1-27(l).

If a political subdivision does not develop a policy on materiality, then the threshold is \$0.00, and the political subdivision is required to report *all* irregular variances, losses, shortages, and thefts to the State Board of Accounts. . . . (Amended State Examiner Directive 2015-6)

INVESTMENTS

Condition and Context

The District did not maintain a prescribed Register of Investments (Form 350). The District did not have a Report of Investments that it provided to the local board of finance, which is the District's Board of Trustees.

Criteria

Register of Investments - Form 350

This form is designed to record investment transactions as they occur. A separate line should be used for recording each security and a separate sheet should be used for each fund from which investments are made. Entries will be made chronologically as investments are purchased or as they mature or are sold. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 12)

Officials and employees are required to use prescribed and approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

In accordance with IC 5-13-7-7, the local board of finance shall also receive and review the written report of the investing officer that summarizes the political subdivision's investments during the previous year. The report must contain the name of each financial institution, governmental agency or instrumentality or other person with whom the political subdivision invested money during the previous calendar year. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

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.

The Schedule of Cash and Investment Balances - Regulatory Basis, is presented as other information. It has not been subjected to any auditing procedures, and, accordingly, we do not express an opinion or provide any assurance on it.

SCHEDULE OF CASH AND INVESTMENT
BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2021

Fund	Cash and Investments 12-31-21
CASH FUND	\$ 64,056
IMP FUND	482,246
Total	<u>\$ 546,302</u>

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

The contents of this report were communicated to Linda Kiester, Financial Clerk, and James Lauer, President of the District Board, on September 6, 2022.

Respectfully,



Beth Kelley, CPA, CFE
Deputy State Examiner