

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

TWIN LAKES REGIONAL SEWER DISTRICT

WHITE COUNTY, INDIANA

January 1, 2020 to December 31, 2021



**FILED**

11/10/2022



TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....                                 | 2           |
| Transmittal Letter .....                                    | 3           |
| Audit Results and Comments:                                 |             |
| Annual Financial Report .....                               | 4-5         |
| Supplemental Schedules in the Annual Financial Report ..... | 5           |
| Exit Conference.....  | 6           |

SCHEDULE OF OFFICIALS

| <u>Office</u>                   | <u>Official</u>          | <u>Term</u>                                  |
|---------------------------------|--------------------------|--|
| District Superintendent         | Michael Darter           | 01-01-20 to 12-31-22                         |
| Treasurer                       | Donald Koleszar          | 01-01-20 to 12-31-22                         |
| President of the District Board | Otto Leis<br>Jamie Rough | 01-01-20 to 12-31-21<br>01-01-22 to 12-31-22 |
| Financial Manager               | Jacqueline Franklin      | 01-01-20 to 12-31-22                         |



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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](http://www.in.gov/sboa)

TO: THE OFFICIALS OF THE TWIN LAKES REGIONAL SEWER DISTRICT, WHITE COUNTY, INDIANA

This report is supplemental to our audit report of the Twin Lakes Regional Sewer 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/](http://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

October 27, 2022

TWIN LAKES REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Reports B51767 and B56281.

*Condition and Context*

There were deficiencies in the internal control system of the District related to the Annual Financial Report (AFR). The District had not established a system of internal controls or separated incompatible processes related to the financial transactions and closing process.

The District established unique password protections for each employee to log into financial information; however, the passwords were shared amongst employees to complete financial transactions.

The District entered its financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the AFR and the financial statement. Although one employee prepared and entered the financial information into Gateway, and another employee reviewed and approved the information entered, the internal control was not effective and did not detect errors prior to submission. The beginning balance of the Sewer Capital Improvement Fund was understated by \$232,568, and receipts and disbursements were overstated by \$2,051,035, due to inclusion of investment transactions.

Adjustments were proposed, accepted by the District, and made to the financial statement presented in the Financial Statement Audit Report.

*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. . . ."

TWIN LAKES REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

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](#)."

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 Special Districts, Chapter 1)

**SUPPLEMENTAL SCHEDULES IN THE ANNUAL FINANCIAL REPORT**

*Condition and Context*

The supplemental schedules in the Annual Financial Report, as reported on the Indiana Gateway for Government Units financial reporting system, contained material errors.

The District did not accurately report revenue bonds. Three revenue bonds that were refunded during the audit period were included, which overstated the reported ending principal balance by \$42,445,476. Additionally, two new revenue bonds issued during the audit period were omitted, which understated the reported ending principal balance by \$42,650,000. Principal and interest due within one year was understated for the two omitted revenue bonds by \$2,347,881.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis contained material errors reported in the *Annual Financial Report* Audit Result and Comment noted above.

Adjustments were proposed, accepted by the Regional Sewer District, and made to the Schedule of Leases and Debt and the Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis 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](#)."

TWIN LAKES REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2022, with Jamie Rough, President of the District Board; Donald Koleszar, Treasurer; Janet Faker, District Board member; Otto Leis, District Board member; Bruce Wilson, District Board member; Michael Darter, District Superintendent; and Jacqueline Franklin, Financial Manager.