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

Paul D. Joyce, CPA
State Examiner

SUPPLEMENTAL COMPLIANCE REPORT

OF

JENNINGS NORTHWEST REGIONAL UTILITIES DISTRICT

JENNINGS COUNTY, INDIANA

January 1, 2024 to December 31, 2025

FILED
08/25/2026

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SCHEDULE OF OFFICIALS

Office	Official	Term
Treasurer	Michael Gerth	01-01-24 to 12-31-26
Utility Manager	Andrew Klescht	01-01-24 to 12-31-26
President of the District Board	Brian Hatfield	01-01-24 to 12-31-26

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TO: THE OFFICIALS OF THE JENNINGS NORTHWEST REGIONAL
UTILITIES DISTRICT, JENNINGS COUNTY, INDIANA

This report is supplemental to the audit report of the Jennings Northwest Regional Utilities District (District), for the period from January 1, 2024 to December 31, 2025. 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 the Financial Statements Audit Report of the District, which provides our opinions on the District's financial statements. This report may be found on the Indiana State Board of Accounts' website.

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. Official Responses are prepared by the auditee, and accessibility of this document cannot be guaranteed. Contact the auditee directly for concerns related to the accessibility of Official Responses.

Beth Kelley

Beth Kelley, CPA, CFE
Deputy State Examiner

August 3, 2026

INTERNAL CONTROLS - COMPLIANCE

A similar comment also appeared in Report 84703S, entitled *INTERNAL CONTROLS.*

Condition and Context

Deficiencies in internal controls resulted in noncompliance with applicable laws and regulations related to the following items:

- Annual Financial Report - Capital Asset Schedule
- Internal Control Standards - Adoption
- Internal Control Standards - Certification
- Federal and State Agencies - Compliance Requirements
- Official Bond
- Fund Sources and Uses
- Indebtedness
- Monthly and Annual Uploads - Missing Uploads
- Capital Assets

Internal controls were not designed or implemented to ensure compliance with applicable laws and regulations. The noncompliance that occurred as a result of these internal control deficiencies is described in the corresponding comments within this 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.

ANNUAL FINANCIAL REPORT - CAPITAL ASSET SCHEDULE

A similar comment also appeared in prior Reports 72649A and 84703S, entitled *ANNUAL FINANCIAL REPORT*.

Condition and Context

Capital assets totaling $4,864,706 were reported within the capital asset schedule in the Annual Financial Report. Capital asset information submitted could not be verified due to lack of supporting documentation for the amounts reported. The District did not maintain a complete listing of all capital assets.

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 as set forth in the uniform compliance guidelines. 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."

INTERNAL CONTROL STANDARDS - ADOPTION

The same comment appeared in the prior Report B52443, entitled *MINIMUM LEVEL OF INTERNAL CONTROLS*, prior Report 72649A, entitled *ADOPTION OF INTERNAL CONTROLS,* and prior Report 84703S, entitled *ADOPTION OF INTERNAL CONTROL STANDARDS.*

Condition and Context

The District had not adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts.

Criteria

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

"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; . . ."

INTERNAL CONTROL STANDARDS - CERTIFICATION

A similar comment appeared in the prior Reports 72649A and 84703S, entitled *CERTIFICATION ON INTERNAL CONTROL STANDARDS.*

Condition and Context

The District certified on the Indiana Gateway for Government Units financial reporting system that it had adopted the acceptable minimum level of internal control standards as defined by the Indiana State Board of Accounts, but internal control standards had not been adopted.

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 as set forth in the uniform compliance guidelines. 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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The same comment appeared in prior Report B52443, entitled *MATERIALITY THRESHOLD*, and prior Reports 72649A and 84703S, entitled *MATERIALITY THRESHOLD.*

Condition and Context

The District had not adopted a materiality threshold during the engagement period.

State Examiner Directive 2015-6 required political subdivisions to develop a materiality threshold policy approved through an ordinance or resolution.

Criteria

Audited entities are required to comply with all grant agreements, rules, regulations, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Audited entities must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

OFFICIAL BOND

The same comment appeared in prior Report B52443, entitled *OFFICIAL BOND*, and prior Reports 72649A and 84703S, entitled *OFFICIAL BOND*.

Condition and Context

The District did not meet the requirements of Indiana Code 13-26-2-10 with respect to surety bond requirements.

Criteria

Indiana Code 13-26-2-10 states in part:

". . . the commissioner shall issue an order directing that the district be established . . .

(b) An order must do the following: . . .

(2) Provide requirements for sufficient bonds for all officers, trustees, or employees having power to dispense money of the district. . . ."

FUND SOURCES AND USES

A similar comment appeared in the prior Reports 72649A and 84703S, entitled *PROPER FUND USE.*

Condition and Context

During the audit period, the District did not maintain a funds ledger and, therefore, did not post receipt and disbursement activity to the proper funds. The District did not properly utilize fund accounting. The financial activity reported was based on a financial activity report prepared by the contracted financial consultant. The financial activity report was prepared after the fact by abstracting information from the billing software for receipt activity and check registers for disbursement activity. In some instances, disbursements were allocated based on a fixed percentage between water and wastewater utilities, and no allocation to individual funds within the water and wastewater utilities was made.

Criteria

Indiana Code 13-26-7-1 states: "Each district must keep proper records showing the district's finances."

All documents and entries to records must be made in a timely manner to ensure that accurate financial information is available to allow the audited entity to make informed management decisions and to help ensure the preservation of public records. [IC 5-15-1-1]. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

All financial transactions pertaining to the audited entity must be recorded in the records of the audited entity at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

INDEBTEDNESS

A similar comment appeared in the prior Reports 72649A and 84703S, entitled *TIMELY PAYMENT OF DEBT.*

Condition and Context

The District authorized by ordinance the issuance of Waterworks Refunding Revenue Bonds of 2005 (Bonds). Between 2018 and 2022, the District made no payments on the Bonds, and, based on the original debt service schedule for the Bonds, the debt should have been paid in full September 2022.

The District paid $120,000 in 2024 and 2025 based on a verbal agreement between the lender and the District. The Bonds had an outstanding principal balance as of December 31, 2025, of $310,000, which was subsequently paid in February 2026.

The untimely payment of debt could potentially impact the District's ability to secure debt in future periods.

Criteria

Each audited entity is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

MONTHLY AND ANNUAL UPLOADS - MISSING UPLOADS

A similar comment appeared in prior Report 72649A, entitled *MONTHLY AND ANNUAL UPLOADS*, and prior Report 84703S, entitled *ANNUAL UPLOADS.*

Condition and Context

The District did not comply with State Examiner Directive 2018-1. The following annual files that are required to be uploaded by special districts to the Indiana Gateway for Government Units financial reporting system were not uploaded for 2024 and 2025:

- Detail of receipts by fund and account
- Detail of disbursements by fund and account
- Accounts Payable and Accounts Receivable Schedule support

Criteria

All counties, cities, towns, townships, libraries, schools, extracurricular accounts (ECAs), and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the Indiana State Board of Accounts (SBOA) to conduct audit planning and audit processes prior to on-site work at a unit. This remote process will provide for more efficient data processing and save audit costs for our clients. (Amended State Examiner Directive 2018-1, Updated April 23, 2025, and effective June 30, 2025)

Audited entities are required to comply with all grant agreements, rules, regulations, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Audited entities must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

CAPITAL ASSETS

A similar comment also appeared in prior Reports 72649A and 84703S, entitled *CAPITAL ASSETS.*

Condition and Context

The District had not properly maintained a complete detailed listing of capital assets owned. The detailed listing presented included replacement cost instead of acquisition value for some assets, did not appear to include all land and buildings, and did not include asset additions and deletions made during the audit period.

Criteria

Capital assets purchased by the audited entity must be titled in the name of the unit. Every audited entity must have a capital asset policy that details the threshold at which an item is considered a capital asset. Every audited entity must have a complete detailed listing of all capital assets owned, what fund from which it was purchased, and the acquisition value. The 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)

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OFFICIAL RESPONSE

August 17, 2026

Indiana State Board of Accounts
302 West Washington Street, Room E418
Indianapolis, Indiana 46204-2765

Via Email: officialresponse@sboa.in.gov

Subject: Official Response — Audit Results and Comments
Jennings Northwest Regional Utilities District
Examination Period: January 1, 2024 – December 31, 2025

To Whom It May Concern:

Jennings Northwest Regional Utilities District (the "District") submits this Official Response regarding the Audit Results and Comments for the engagement period covering January 1, 2024, through December 31, 2025.

The Board of Trustees and management take our statutory responsibilities and financial oversight seriously. We acknowledge that a number of the results and comments in this report have appeared in prior reports. Subsequent to the engagement period, the District retired its outstanding indebtedness and the Board adopted four resolutions addressing matters identified in this report. Corrective action plans with defined completion dates have been submitted for each remaining item.

Indebtedness

The District retired the outstanding principal balance of the Waterworks Refunding Revenue Bonds of 2005 in full in February 2026. The District carries no outstanding debt. Should the District incur debt in the future, it will maintain an active debt service schedule and comply with all applicable debt ordinances, resolutions, schedules, and covenants.

Internal Control Standards – Adoption and Certification

The Board adopted the *Uniform Internal Control Standards for Indiana Political Subdivisions* by Resolution No. 2026-5 on July 8, 2026, pursuant to IC 5-11-1-27(g). All personnel and board members required to receive internal control training will complete that training by October 1, 2026, with signed certifications maintained on file, so that certifications submitted through the Indiana Gateway for Government Units accurately reflect the District's adoption status.

Federal and State Agencies – Compliance Requirements

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The Board adopted a written materiality threshold policy by Resolution No. 2026-3 on March 11, 2026, in accordance with State Examiner Directive 2015-6.

Capital Assets; Annual Financial Report – Capital Asset Schedule

The Board adopted a formal capital asset policy establishing a capitalization threshold by Resolution No. 2026-4 on March 11, 2026. The District has also completed Asset Management Plans for both the water and wastewater utilities. The District will maintain the prescribed Capital Asset Ledger (Form 369) reflecting acquisition value, funding source, land, and structures, and a complete physical inventory will be finished by January 1, 2027.

Fund Sources and Uses; Monthly and Annual Uploads

The District has retained municipal financial advisory support to establish a formal fund accounting ledger and to modernize its chart of accounts. Receipts and disbursements will be posted at the time of transaction to distinct, dedicated water and wastewater fund accounts, rather than allocated after the fact on a fixed-percentage basis. The same system will provide monthly and annual upload capability for detail of receipts by fund and account, detail of disbursements by fund and account, and accounts payable/accounts receivable support, as required by State Examiner Directive 2018-1. Anticipated completion is December 31, 2026 for the fund accounting ledger and January 1, 2027 for the Gateway upload process.

Official Bond

The District will obtain and file sufficient surety bonds for all trustees, officers, and employees having the power to dispense money of the District, as required by IC 13-26-2-10, by December 31, 2026.

Internal Controls – Compliance

The District has submitted a separate Corrective Action Plan for each repeat result and comment, each with measurable steps and an anticipated completion date. In addition to the resolutions described above, the Board adopted Resolution No. 2026-6 on July 8, 2026, establishing requirements for daily deposits and monthly financial reconciliations. The Board will conduct periodic reviews of progress against these plans.

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We remain committed to operational transparency, regulatory compliance, and responsible utility management on behalf of our ratepayers.

Respectfully submitted,

Brian Hatfield

Brian Hatfield
President of the Board

Michael Gerth
Secretary / Treasurer of the Board

Andrew Klescht

Andrew Klescht
Utility Manager

JENNINGS NORTHWEST REGIONAL UTILITIES DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 3, 2026, with Brian Hatfield, President of the District Board; Michael Gerth, Treasurer; Andrew Klescht, Utility Manager; and Judi Johnson-Stevens, District Board member.