

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

COMPLIANCE ENGAGEMENT REPORT

OF

K AND H REGIONAL SEWER DISTRICT

CLAY COUNTY, INDIANA

January 1, 2018 to December 31, 2022



FILED
02/20/2024

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
President of the District Board	Scott Sneddon	01-01-18 to 12-31-24
Treasurer	Garry Sneddon	01-01-18 to 12-31-24
Officer Manager	Shelby Tilley Tina Styleburg	01-01-18 to 12-31-21 01-01-22 to 12-31-24



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TO: THE OFFICIALS OF THE K AND H REGIONAL SEWER DISTRICT, CLAY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the K and H Regional Sewer District (District), for the period of January 1, 2018 to December 31, 2022. The objective of this engagement was to determine compliance with applicable Indiana laws, regulations, and uniform compliance guidelines (Guidelines) established by the Indiana State Board of Accounts pursuant to Indiana Code 5-11-1-24. The objective of this engagement is not to opine on compliance or financial activity of the District as this engagement was not conducted in accordance with any standards established by an authoritative standard setting body and, as such, we do not provide any opinions on compliance or financial activity.

Management is responsible for preparing and maintaining its accounting records and related documents in accordance with applicable Indiana laws, regulations, and Guidelines. Management's responsibility also includes, but is not limited to, complying with other applicable Indiana laws, regulations, and Guidelines concerning how it operates: authorized sources and uses of funds; what reports are required to be prepared and filed; and what depositories and investment types are allowable.

We fulfilled our responsibility as detailed in the first paragraph, using procedures that verified the appropriate accounting for and reporting of cash, receipts, and disbursements; and the appropriate sources and uses of funds in accordance with applicable Indiana laws, regulations, and Guidelines. Expanding the scope and nature of these procedures can and does occur in specific circumstances.

The Comments contained herein, if any, describe the identified reportable instances of noncompliance found during our engagement. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified. Any Official Response to the Comments incorporated within this report was not verified for accuracy.

The Schedule of Officials and Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis (Statements) are informational only. The Statements have not been subjected to any procedures designed to express an opinion or provide any assurance on them, and, accordingly, we do not express an opinion or provide any assurance on them.

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. Reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>, and the District's Annual Financial Reports filed by management can be found on the Indiana Gateway for Government Units financial reporting system website: <http://www.gateway.ifionline.org>.

The contents of this report were communicated to Scott Sneddon, President of the District Board, and Tina Styleburg, Office Manager, on January 10, 2024.



Beth Kelley, CPA, CFE
Deputy State Examiner

January 10, 2024

K AND H REGIONAL SEWER DISTRICT
COMMENTS

ANNUAL FINANCIAL REPORT

Condition and Context

Financial Information

The Annual Financial Reports submitted on the Indiana Gateway for Government Units financial reporting system for 2018, 2019, 2020, 2021, and 2022 omitted beginning and ending investment balances, which caused the Operating fund to be understated \$100,000 and the Bond & Interest fund to be understated \$73,900.

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](#)."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District certified in the Indiana Gateway for Government Units financial reporting system that the District had adopted minimum internal control standards and that all personnel defined by Indiana Code 5-11-1-27(c) had received training concerning the internal control standards adopted by the District in 2018, 2019, and 2020; however, during the engagement, evidence of adoption of minimum internal control standards and training certifications were not provided for audit.

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](#)."

ADOPTION OF INTERNAL CONTROL STANDARDS

A similar comment also appeared in prior Report B51760, entitled *FINDING 2018-001: MINIMUM LEVEL OF INTERNAL CONTROLS*.

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.

K AND H REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Criteria

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

"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; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

TRAINING ON INTERNAL CONTROL STANDARDS

Condition and Context

The District's employees whose official duties included receiving, processing, depositing, disbursing, or otherwise having access to funds that belonged to the District, had not received training over internal control standards that was developed or approved by the Indiana State Board of Accounts.

Criteria

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

"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; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

MONTHLY AND ANNUAL UPLOADS

Condition and Context

As of December 28, 2023, the District had not uploaded all required annual uploads for 2018 and 2022 into the Indiana Gateway for Government Units financial reporting system as required by Amended State Examiner Directive 2018-1.

Criteria

All counties, cities, towns, townships, libraries, schools and special districts will use the Engagement Uploads to upload files containing financial and governmental unit information on Gateway to allow the 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 November 9, 2020, and effective with uploads due February 15, 2021)

K AND H REGIONAL SEWER DISTRICT
COMMENTS
(Continued)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions and filing requirements concerning reports and other procedural matters of federal and state agencies. Units 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

Condition and Context

The District reported infrastructure assets in the amount of \$1,788,309. However, the District had not adopted a capital assets policy during the engagement period. In addition, the District had not conducted a physical inventory in the last two years, as required.

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)

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STATEMENTS OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS

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K AND H REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2018 and 2019

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18	Receipts	Disbursements	Cash and Investments 12-31-19
K & H Regional Sewer District Operating	\$ 330,243	\$ 464,295	\$ 376,570	\$ 417,968	\$ 406,878	\$ 327,457	\$ 497,389
K & H Regional Sewer District Bond & Interest	169,923	89,250	89,400	169,773	92,359	90,921	171,211
K & H Regional Sewer District Debt Service Reserve	61,858	-	-	61,858	-	-	61,858
K & H Regional Sewer District Construction	6,016	-	-	6,016	-	-	6,016
K & H Regional Sewer District Improvement Fund	3,171	235	-	3,406	116	-	3,522
Totals	<u>\$ 571,211</u>	<u>\$ 553,780</u>	<u>\$ 465,970</u>	<u>\$ 659,021</u>	<u>\$ 499,353</u>	<u>\$ 418,378</u>	<u>\$ 739,996</u>

K AND H REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2020 and 2021

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20	Receipts	Disbursements	Cash and Investments 12-31-21
K & H Regional Sewer District Operating	\$ 497,390	\$ 401,556	\$ 291,369	\$ 607,577	\$ 426,384	\$ 309,224	\$ 724,737
K & H Regional Sewer District Bond & Interest	171,362	93,689	92,193	172,858	89,064	88,217	173,705
K & H Regional Sewer District Debt Service Reserve	61,858	-	-	61,858	-	-	61,858
K & H Regional Sewer District Construction	6,016	-	-	6,016	-	-	6,016
K & H Regional Sewer District Improvement Fund	3,523	104	-	3,627	59	-	3,686
Totals	<u>\$ 740,149</u>	<u>\$ 495,349</u>	<u>\$ 383,562</u>	<u>\$ 851,936</u>	<u>\$ 515,507</u>	<u>\$ 397,441</u>	<u>\$ 970,002</u>

K AND H REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2022

Fund	Cash and Investments 01-01-22	Receipts	Disbursements	Cash and Investments 12-31-22
K & H Regional Sewer District Operating	\$ 724,736	\$ 419,859	\$ 310,897	\$ 833,698
K & H Regional Sewer District Bond & Interest	173,704	89,465	89,233	173,936
K & H Regional Sewer District Debt Service Reserve	61,858	-	-	61,858
K & H Regional Sewer District Construction	6,016	-	-	6,016
K & H Regional Sewer District Improvement Fund	3,686	60	-	3,746
Totals	\$ 970,000	\$ 509,384	\$ 400,130	\$ 1,079,254