

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

COMPLIANCE ENGAGEMENT REPORT

OF

MEXICO REGIONAL SEWER DISTRICT

MIAMI COUNTY, INDIANA

January 1, 2019 to December 31, 2023



**FILED**

05/28/2024



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Daniel Day Kody Herbst (interim) Shelley Hudson	01-01-19 to 04-06-21 04-07-21 to 12-31-22 01-01-23 to 12-31-24
President of the District Board	Kody Herbst	01-01-19 to 12-31-24



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MEXICO REGIONAL SEWER DISTRICT, MIAMI COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Mexico Regional Sewer District (District), for the period of January 1, 2019 to December 31, 2023. 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 Kody Herbst, President of the District Board; Shelley Hudson, Treasurer; and Shirley Smiley, Clerk, on May 14, 2024.



Beth Kelley, CPA, CFE  
Deputy State Examiner

April 24, 2024

MEXICO REGIONAL SEWER DISTRICT  
COMMENTS

**INTERNAL CONTROLS**

*Condition and Context*

Internal control deficiencies resulted in the noncompliance over the *Annual Financial Report, Training over Internal Control Standards, Certification of Internal Control Standards, Capital Assets, Late Submission of Annual Financial Report, and Late Submission of Certified Report*, detailed further in the comments below.

*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. . . ."

**ANNUAL FINANCIAL REPORT**

A similar comment also appeared in prior Report B54937, entitled *CONDITION OF RECORDS REGARDING FINANCIAL INFORMATION*.

*Condition and Context*

Due to the lack of effective internal controls over the financial and other information required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system, the financial statements did not properly reflect the financial activity of the District. The information contained the following errors:

*Financial Information*

In 2019, the receipts and disbursements of the Wastewater Crossroads-Operating fund were overstated by \$104,289. The receipts and disbursements of the Wastewater Crossroads-Reserve fund were overstated by \$66,584. This was caused by the District including bank transfers on the AFR.

In 2021, the receipts and disbursements of the Wastewater Crossroads-Operating fund were understated by \$259,957 and \$260,787, respectively. The District did not report any receipts for this fund in the AFR and only reported \$7,605 of disbursements in the AFR.

MEXICO REGIONAL SEWER DISTRICT  
COMMENTS  
(Continued)

Adjustments were proposed, approved by the District, and made to the financial statements presented in this report.

*Accounts Payable/Accounts Receivable*

The District reported total receipts and disbursements as Accounts Payable and Receivable in 2023. This caused an overstatement of \$277,580 and \$289,974 to the Payable and Receivable amounts, respectively. Additionally, 2019, 2020, 2021, and 2022 the District did not report any Accounts Payable and Receivable.

*Capital Assets*

The District was unable to provide a complete detailed capital asset listing for the engagement period. Therefore, the Capital Asset Schedule information submitted to Gateway could not be verified.

*Criteria*

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

**TRAINING OVER INTERNAL CONTROL STANDARDS**

A similar comment also appeared in prior Report B54937, entitled *ADOPTION OF AND TRAINING OVER INTERNAL CONTROL STANDARDS*.

*Condition and Context*

Not all of the required personnel received training over internal controls as required. The interim and current Treasurer were not trained on internal control standards.

*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: . . .

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

**CERTIFICATION ON INTERNAL CONTROL STANDARDS**

The same comment also appeared in prior Report B54937.

*Condition and Context*

The District incorrectly certified in 2021, 2022, and 2023 Annual Financial Reports that employees had been trained over internal control standards. However, the interim and current Treasurer were not trained on internal control standards.

MEXICO REGIONAL SEWER DISTRICT  
COMMENTS  
(Continued)

*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](#)."

**CAPITAL ASSETS**

*Condition and Context*

The District did not have a capital asset policy that details the threshold at which an item is considered a capital asset. Additionally, the District did not have a complete detailed listing of capital assets or complete a physical inventory at least once 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)

**LATE SUBMISSION OF ANNUAL FINANCIAL REPORT**

The same comment also appeared in prior Report B54937.

*Condition and Context*

The District's Annual Financial Reports for 2020, 2021, and 2023, were electronically filed on March 25, 2021, April 4, 2022, and March 11, 2024, which was 24, 34, and 11 days late.

*Criteria*

The Annual Financial Report (AFR) required under IC 5-11-1-4(a) shall be filed with the state examiner not later than sixty (60) days after the close of each fiscal year. (Accounting and Uniform Guidelines Compliance Manual for Special Districts, Chapter 1)

**LATE SUBMISSION OF CERTIFIED REPORT**

The same comment also appeared in prior Report B54937, entitled *LATE SUBMISSION OF CERTIFIED REPORT*.

MEXICO REGIONAL SEWER DISTRICT  
COMMENTS  
(Continued)

*Condition and Context*

The District's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2020, 2021, and 2022, was electronically filed on February 27, 2021, February 27, 2022, and March 7, 2023, which was 26, 27, and 35 days late.

*Criteria*

Indiana Code 5-11-13-1(b) states:

"Each audited entity shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of the officers, employees, and agents of the audited entity. The report shall indicate the respective duties and compensation of each officer, employee, and agent of the audited entity. The audited entity shall file the report in the office of the state examiner of the state board of accounts. The report must also indicate whether the political subdivision offers a health plan, a pension, and other benefits to full-time and part-time employees. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year. The certification must be filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

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

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MEXICO REGIONAL SEWER DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2019 and 2020

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19	Receipts	Disbursements	Cash and Investments 12-31-20
Wastewater Crossroads-Operating	\$ 142,211	\$ 270,715	\$ 262,803	\$ 150,123	\$ 277,288	\$ 258,507	\$ 168,904
Wastewater Crossroads-Reserve	66,834	8,894	-	75,728	27,992	-	103,720
Totals	<u>\$ 209,045</u>	<u>\$ 279,609</u>	<u>\$ 262,803</u>	<u>\$ 225,851</u>	<u>\$ 305,280</u>	<u>\$ 258,507</u>	<u>\$ 272,624</u>

MEXICO REGIONAL SEWER DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Years Ended December 31, 2021 and 2022

Fund	Cash and Investments 01-01-21	Receipts	Disbursements	Cash and Investments 12-31-21	Receipts	Disbursements	Cash and Investments 12-31-22
Wastewater Crossroads-Operating	\$ 168,904	\$ 263,103	\$ 268,392	\$ 163,615	\$ 276,914	\$ 277,502	\$ 163,027
Wastewater Crossroads-Reserve	103,720	14,807	-	118,527	15,060	-	133,587
Totals	<u>\$ 272,624</u>	<u>\$ 277,910</u>	<u>\$ 268,392</u>	<u>\$ 282,142</u>	<u>\$ 291,974</u>	<u>\$ 277,502</u>	<u>\$ 296,614</u>

MEXICO REGIONAL SEWER DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS,  
 AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For the Year Ended December 31, 2023

Fund	Cash and Investments 01-01-23	Receipts	Disbursements	Cash and Investments 12-31-23
Wastewater Crossroads-Operating	163,028	289,999	277,581	175,446
Wastewater Crossroads-Reserve	133,586	15,715	-	149,301
Totals	<u>\$ 296,614</u>	<u>\$ 305,714</u>	<u>\$ 277,581</u>	<u>\$ 324,747</u>