

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

FINANCIAL STATEMENT REVIEW REPORT

OF

MEXICO REGIONAL SEWER DISTRICT

MIAMI COUNTY, INDIANA

January 1, 2017 to December 31, 2018



FILED
04/15/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Review Report.....	3-4
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis.....	7
Notes to Financial Statement	8-10
Review Results and Comments:	
Late Submission of Annual Financial Report	11
Late Submission of Certified Report.....	11
Materiality Threshold	12
Adoption and Training over Internal Control Standards	12
Certification on Internal Control Standards	12-13
Condition of Records	13
Exit Conference.....	14

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Daniel Day	01-01-17 to 12-31-20
President of the District Board	Richard Hostetler	01-01-17 to 12-31-17
	Kody Herbst	01-01-18 to 12-31-20



INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statement of the Mexico Regional Sewer District (District), for the period of January 1, 2017 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statement as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with a regulatory basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6); which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. This includes determining that the basis of accounting the District uses is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statement for it to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statement in order for it to be in accordance with the prescribed basis of accounting described in Note 1.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT
(Continued)

Basis of Accounting

We draw attention to Note 1 of the financial statement, which describes the basis of accounting. The financial statement is prepared in accordance with the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

March 25, 2020

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

(This page intentionally left blank.)

MEXICO REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
AND INVESTMENT BALANCES - REGULATORY BASIS
For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Wastewater Savings-Reserves	\$ 22,692	\$ 45,923	\$ -	\$ 68,615	\$ 19,520	\$ 21,551	\$ 66,584
Wastewater Collection Fund	73,389	271,515	228,897	116,007	280,474	265,124	131,357
Wastewater Crossroads-Operating	-	-	-	-	250	237	13
Wastewater Crossroads-Reserve	-	-	-	-	250	-	250
Totals	\$ 96,081	\$ 317,438	\$ 228,897	\$ 184,622	\$ 300,494	\$ 286,912	\$ 198,204

The notes to the financial statement are an integral part of this statement.

MEXICO REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The District was established under the laws of the State of Indiana. The District operates under a governing board.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Utility fees. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but not limited to, the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

MEXICO REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Debt service - principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The District may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

MEXICO REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

State statutes authorize the District to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 4. Risk Management

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

MEXICO REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS

LATE SUBMISSION OF ANNUAL FINANCIAL REPORT

Condition and Context

The District's Annual Financial Report for 2017 was not filed electronically until August 19, 2018, which was 171 days past the due date.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

LATE SUBMISSION OF CERTIFIED REPORT

Condition and Context

The District's Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R) for 2017 was not filed electronically until March 20, 2018, which was 48 days past the due date.

Criteria

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

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee or agent who is the head of, or in charge of, or the executive officer of any department, bureau, board, or commission of the state, county, city, town, or township, and every executive officer by whatever title designated, who is in charge of any state educational institution or of any other state, county, or city institution, 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 each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said 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](#)."

MEXICO REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

MATERIALITY THRESHOLD

The same comment also appeared in prior Report B52462, entitled *MATERIALITY THRESHOLD*.

Condition and Context

The District had not established a materiality threshold for the review period.

Criteria

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. (State Examiner Directive 2015-6)

ADOPTION OF AND TRAINING OVER 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. In November 2018, the District Board discussed approving internal controls; however, they did not approve or sign an internal control resolution. Additionally, the District did not ensure that training was provided for all personnel over the internal control standards adopted.

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."

CERTIFICATION ON INTERNAL CONTROL STANDARDS

Condition and Context

The District certified on the Annual Financial Report that they had adopted and trained appropriate personnel on internal control standards. There was no adopted policy and training was not provided; therefore, the certification was incorrect.

MEXICO REGIONAL SEWER DISTRICT
REVIEW RESULTS AND COMMENTS
(Continued)

Context

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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](#)."

CONDITION OF RECORDS

Condition and Context

Bank reconciliations were not performed for December 31, 2017 and 2018. Reconciliations of the bank balances to the funds ledger were not performed on a monthly basis throughout the review period.

The following differences were noted between the ledgers and the Annual Financial Report:

- The Wastewater Savings-Reserve receipts were understated by \$6,450 for the year ended December 31, 2017.
- The Wastewater Collection Fund receipts were understated by \$13,181 and disbursements were understated by \$3,519 for the year ended December 31, 2017.
- The Wastewater Collection Fund receipts were understated by \$24,995 and disbursements were understated by \$4,283 for the year ended December 31, 2018.

Criteria

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)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

MEXICO REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2020, with Daniel Day, Treasurer, and Kody Herbst, President of the District Board.