

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

SUPPLEMENTAL COMPLIANCE REPORT

OF

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT

ALLEN COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
02/04/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Coordinator	Melinda Amstutz	01-01-20 to 12-31-22
President of the District Board	Judith James	01-01-20 to 12-31-22



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AN EQUAL OPPORTUNITY EMPLOYER

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TO: THE OFFICIALS OF THE MAYSVILLE REGIONAL WATER
AND SEWER DISTRICT, ALLEN COUNTY, INDIANA

This report is supplemental to our audit report of the Maysville Regional Water and Sewer District (District), for the period from January 1, 2020 to December 31, 2020. 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/.

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.

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

January 27, 2022

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition and Context

There were deficiencies in the internal control system of the District related to cash and investments, receipts, and financial reporting. The District had not properly designed an effective internal control system that separated incompatible activities related to these areas.

Cash and Investments

Activity for the District's Sewer Utility Sinking and Sewer Utility Debt Reserve funds was not recorded during the audit period and was thus not subject to bank reconciliations, though debt service payments were made, and related interest earnings were deposited. In addition, the prior audit adjustments were never made to the financial records. There was no evidence of an internal control, such as an oversight, review, or approval process, to ensure the financial activity and prior audit adjustments were properly made.

Receipts

The Office Coordinator was solely responsible for all aspects of receipts with no internal controls in place, such an oversight, review, or approval process.

Financial Close and Reporting

The President of the District Board entered and submitted financial information for the District into the Indiana Gateway for Government Units financial reporting system, which was the source for the Annual Financial Report and financial statement. There was no evidence of an internal control, such as an oversight, review, or approval process, to ensure the accuracy of the information entered and submitted.

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. . . ."

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORT

Condition and Context

The District took out State Revolving Fund loans and Bond Anticipation Notes (BANS) for the purpose of updating the utility system. The contracted vendors were paid directly by the Bank of New York from the loan accounts. The District did not record the financial activity for the loan accounts in its records in 2020. The District also did not record audit adjustments proposed by the prior auditor and incorrectly posted some receipts and disbursements in its records for 2020.

In addition, the District did not report the financial activity in the Indiana Gateway for Government Units financial reporting system, which is the source of the Annual Financial Report (AFR) and financial statement. As a result, the following errors were noted in the AFR and financial statement:

1. Beginning balances for several funds were incorrectly reported, resulting in cash balances being overstated by \$194,820.
2. The 2019 Sewer BAN fund was not reported; as a result, receipts and disbursements were underreported by \$2,171,316.
3. The 2019 Sewer SRF Construction fund was not reported; as a result, receipts and disbursements were underreported by \$635,349.
4. Payroll fund underreported receipts and disbursements of \$30,006 and \$2,577, respectively.
5. The Sewer Utility Operating fund disbursements were underreported by \$312.
6. The Sewer Utility Sinking fund underreported receipts and disbursements of \$126,728 and \$99,427, respectively.
7. The Sewer Utility Debt Service fund underreported receipts of \$11,384.
8. The Water Utility Operating fund underreported disbursements of \$1,795.

Audit adjustments were proposed, accepted by the District, and made to the AFR and financial statement.

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](#)."

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

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

A similar comment appeared in prior Report B56833, entitled *BANK ACCOUNT RECONCILIATION*.

Condition and Context

Bank account reconciliations for the District's 2019 Sewer BAN and 2019 Sewer SRF Construction funds were not completed.

Criteria

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."

OVERDRAWN CASH

Condition and Context

The Payroll Water & Sewer fund and Sewer Utility Operating fund have overdrawn cash balances at December 31, 2020, in the amount of \$20,905 and \$38,352, respectively.

Criteria

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts State of Indiana, Chapter 1)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 27, 2022, with Melinda Amstutz, Office Coordinator; Judith James, President of the District Board; and Dale McAlexander, District Board member.