

**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, 2021 to December 31, 2022



**FILED**

06/02/2023



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Melinda Amstutz	01-01-21 to 12-31-23
President of the District Board	Judith James	01-01-21 to 12-31-23



**STATE OF INDIANA**  
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, 2021 to December 31, 2022. 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/](http://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.

Beth Kelley, CPA, CFE  
Deputy State Examiner

May 9, 2023

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

A similar comment also appeared in prior Report B58469, entitled *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 Savings, Sewer Utility Sinking, Sewer Utility Debt Reserve, 2019 Sewer SRF Construction, Water Savings, Water Utility Debt Reserve, and Water Bond Anticipation Note funds was not recorded during the audit period and was not subject to bank reconciliations; though, debt service payments were made, and related interest earnings were deposited. There was no evidence of an internal control, such as an oversight, review, or approval process, to ensure the financial activity was properly recorded and processed.

*Receipts*

The Office Coordinator was solely responsible of 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 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**

A similar comment also appeared in prior Report B58469, entitled *ANNUAL FINANCIAL REPORT*.

*Condition and Context*

Financial and other information are required to be entered annually into the Annual Financial Report (AFR) via the Indiana Gateway for Government Units (Gateway) financial reporting system. The District did not properly enter the financial and other information into Gateway which resulted in the following errors:

*Financial Data*

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 financial records or into the AFR in 2021 and 2022.

As a result, the following errors were noted in the AFR and financial statement:

1. Cash and investments beginning balance at January 1, 2021, was overstated by \$126,131.
2. Total receipts were understated by \$1,091,475.
3. Total disbursements were understated by \$1,235,564.

Adjustments were proposed, accepted by the District, and made to the financial statement and to the Combining Schedules presented as Required Supplementary Information.

*Leases and Debt*

The total reported principal balance of the Water and Wastewater Bonds and notes was overstated by \$286,315, and the Principal and Interest Due Within One Year was understated by \$28,576.

Adjustments were proposed, accepted by the District, and made to the Schedule of Leases and Debt presented as Other Information.

*Capital Assets*

The Sewer Extension project disbursements paid from the 2019 Sewer SRF Construction fund were not included in the Wastewater infrastructure balance. As a result, the infrastructure balance was underreported by \$473,110 at December 31, 2022.

Adjustments were proposed, accepted by the District, and made to the Schedule of Capital Assets presented as Other Information.

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
AUDIT RESULTS AND 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](#)."

**BANK ACCOUNT RECONCILIATIONS**

A similar comment also appeared in prior Reports B56833 and B58469, entitled *BANK ACCOUNT RECONCILIATIONS*.

*Condition and Context*

Bank account reconciliations for the District's Sewer Savings, Sewer Utility Sinking, Sewer Utility Debt Reserve, Water Savings, and Water Utility Debt Reserve funds were not completed.

For the District's remaining funds, the District attempted bank account reconciliations. However, the reconciliations contained unidentified variances. The December 31, 2022 reconciliation included a cash necessary to balance of \$9,266.

*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 BALANCES**

A similar comment also appeared in prior Report B58469, entitled *OVERDRAWN CASH BALANCES*.

*Condition and Context*

The Sewer Utility Operating fund was overdrawn in the amount of \$63,259 at December 31, 2021. The Payroll Water & Sewer fund was overdrawn in the amount of \$31,758 and \$45,401, at December 31, 2021 and 2022, 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, Chapter 1)

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

**TIMELY RECORDKEEPING**

*Condition and Context*

On December 29, 2022, the District received an electronic deposit in the amount of \$11,426 from the Allen County Treasurer. As of April 23, 2023, this deposit had not been posted to the District's ledger.

*Criteria*

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

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, Chapter 1)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on May 9, 2023, with Melinda Amstutz, Office Manager; Judith James, President of the District Board; and William Dale McAlexander, Secretary of the District Board.