

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

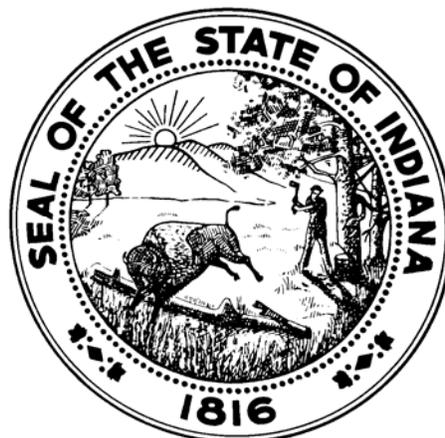
AUDIT REPORT

OF

SOUTH CENTRAL REGIONAL SEWER DISTRICT

MONROE COUNTY, INDIANA

January 1, 2001 to December 31, 2004



**FILED**  
03/06/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utility Manager	Rick Coppock	01-01-01 to 12-31-06
Treasurer	Patricia Gross Benjamin Keutzer	01-01-01 to 09-24-03 09-25-03 to 12-31-06
President of the District Board	Randy Cassady Gary Lentz	01-01-01 to 12-31-01 01-01-02 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE SOUTH CENTRAL REGIONAL  
SEWER DISTRICT, MONROE COUNTY, INDIANA

We have audited the accompanying financial statements of the business-type activities of the South Central Regional Sewer District (District), as of and for the years ended December 31, 2001, 2002, 2003, and 2004. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2001, 2002, 2003, and 2004, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management Discussion and Analysis, or Budgetary Comparison Schedules, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

December 5, 2006

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
STATEMENT OF NET ASSETS  
December 31, 2001, 2002, 2003, And 2004

<u>Assets</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Current assets:				
Cash and cash equivalents	\$ 716,933	\$ 498,777	\$ 360,824	\$ 91,141
Accounts receivable	<u>156,482</u>	<u>169,656</u>	<u>174,016</u>	<u>186,985</u>
Total current assets	<u>873,415</u>	<u>668,433</u>	<u>534,840</u>	<u>278,126</u>
Noncurrent assets:				
Restricted cash and cash equivalents:				
Bond and interest	141,849	143,826	144,811	42,164
Construction	-	-	-	30,782
Reserve	172,803	174,976	176,134	177,773
Customer deposits	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>	<u>2,500</u>
Total restricted assets	<u>317,152</u>	<u>321,302</u>	<u>323,445</u>	<u>253,219</u>
Deferred charges	<u>4,449</u>	<u>3,337</u>	<u>1,669</u>	<u>834</u>
Capital assets:				
Land, improvements to land and construction in progress	120,988	209,583	252,367	615,685
Other capital assets (net of accumulated depreciation)	<u>4,869,142</u>	<u>4,961,578</u>	<u>4,963,456</u>	<u>5,002,987</u>
Total capital assets	<u>4,990,130</u>	<u>5,171,161</u>	<u>5,215,823</u>	<u>5,618,672</u>
Total noncurrent assets	<u>5,311,731</u>	<u>5,495,800</u>	<u>5,540,937</u>	<u>5,872,725</u>
Total assets	<u>6,185,146</u>	<u>6,164,233</u>	<u>6,075,777</u>	<u>6,150,851</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	14,246	8,694	10,528	8,946
Loans payable	-	-	-	180,000
Current liabilities payable from restricted assets:				
Customer deposits	2,500	2,500	2,500	2,500
Meter deposits	75	-	-	-
Revenue bonds payable	86,450	92,500	100,700	108,700
Accrued interest payable	<u>9,150</u>	<u>7,623</u>	<u>5,977</u>	<u>4,173</u>
Total current liabilities	<u>112,421</u>	<u>111,317</u>	<u>119,705</u>	<u>304,319</u>
Noncurrent liabilities:				
Revenue bonds payable (net of deferred amount on refunding)	600,108	539,414	430,159	312,905
Total liabilities	<u>712,529</u>	<u>650,731</u>	<u>549,864</u>	<u>617,224</u>
<u>Net Assets</u>				
Invested in capital assets, net of related debt	4,303,572	4,539,247	4,684,964	5,197,067
Restricted for debt service	314,652	318,802	320,945	219,937
Unrestricted	<u>854,393</u>	<u>655,453</u>	<u>520,003</u>	<u>116,623</u>
Total net assets	<u>\$ 5,472,617</u>	<u>\$ 5,513,502</u>	<u>\$ 5,525,912</u>	<u>\$ 5,533,627</u>

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

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
As Of And For The Years Ended December 31, 2001, 2002, 2003, And 2004

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Operating revenues:				
Commercial sales	\$ 668,370	\$ 671,573	\$ 659,013	\$ 680,059
Penalties	15,293	15,917	18,479	17,527
Other	12,833	-	7,275	16,250
	<u>696,496</u>	<u>687,490</u>	<u>684,767</u>	<u>713,836</u>
Total operating revenues				
Operating expenses:				
Operations and maintenance	67,111	59,066	85,880	105,763
Customer accounts	14,085	24,776	24,813	17,229
Depreciation	198,372	210,033	204,900	210,912
Professional fees	48,635	34,241	31,972	44,279
Director fees	5,750	5,400	5,000	6,250
Purchased power	39,459	37,924	40,190	43,434
Telephone	4,287	4,057	4,510	4,546
Office expense	1,961	568	1,223	494
Materials and supplies	28,992	32,594	23,829	23,631
Contractual services	218,894	225,269	231,629	226,104
Contract labor	7,474	1,805	2,140	2,280
Transportation expenses	1,572	1,170	1,493	1,541
Insurance expense	11,926	11,693	13,109	13,313
Miscellaneous expenses	1,417	1,917	3,269	2,622
	<u>649,935</u>	<u>650,513</u>	<u>673,957</u>	<u>702,398</u>
Total operating expenses				
Operating income	<u>46,561</u>	<u>36,977</u>	<u>10,810</u>	<u>11,438</u>
Nonoperating revenues (expenses):				
Interest and investment revenue	35,166	10,123	4,180	3,735
Interest expense	(42,102)	(28,071)	(21,793)	(14,976)
Amortization expense	(1,186)	(1,112)	(1,668)	(834)
	<u>(8,122)</u>	<u>(19,060)</u>	<u>(19,281)</u>	<u>(12,075)</u>
Total nonoperating expenses				
Income (loss) before contributions	38,439	17,917	(8,471)	(637)
Capital contributions	<u>14,616</u>	<u>22,968</u>	<u>20,881</u>	<u>8,352</u>
Change in net assets	53,055	40,885	12,410	7,715
Total net assets - beginning	<u>5,419,562</u>	<u>5,472,617</u>	<u>5,513,502</u>	<u>5,525,912</u>
Total net assets - ending	<u>\$ 5,472,617</u>	<u>\$ 5,513,502</u>	<u>\$ 5,525,912</u>	<u>\$ 5,533,627</u>

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

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
As Of And For The Years Ended December 31, 2001, 2002, 2003, And 2004

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 644,047	\$ 674,316	\$ 673,132	\$ 684,617
Payments to suppliers and contractors	(452,618)	(446,107)	(467,223)	(493,068)
Other receipts	12,833	-	7,275	16,250
Net cash provided by operating activities	<u>204,262</u>	<u>228,209</u>	<u>213,184</u>	<u>207,799</u>
Cash flows from capital and related financing activities:				
Proceeds from capital debt	-	6,142	-	180,000
Bond refunding	-	34,219	-	-
Acquisition and construction of capital assets	(103,350)	(368,096)	(228,681)	(605,409)
Principal paid on capital debt	(79,300)	(86,450)	(92,500)	(100,700)
Interest paid on capital debt	(43,406)	(38,153)	(31,993)	(25,334)
Net cash used by capital and related financing activities	<u>(226,056)</u>	<u>(452,338)</u>	<u>(353,174)</u>	<u>(551,443)</u>
Cash flows from investing activities:				
Interest received	35,166	10,123	4,180	3,735
Net cash provided by investing activities	<u>35,166</u>	<u>10,123</u>	<u>4,180</u>	<u>3,735</u>
Net increase in cash and cash equivalents	13,372	(214,006)	(135,810)	(339,909)
Cash and cash equivalents, January 1	<u>1,020,713</u>	<u>1,034,085</u>	<u>820,079</u>	<u>684,269</u>
Cash and cash equivalents, December 31	<u>\$ 1,034,085</u>	<u>\$ 820,079</u>	<u>\$ 684,269</u>	<u>\$ 344,360</u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	\$ 46,561	\$ 36,977	\$ 10,810	\$ 11,438
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation expense	198,372	210,033	204,900	210,912
Decrease in assets:				
Accounts receivable	(39,616)	(13,174)	(4,360)	(12,969)
Increase (decrease) in liabilities:				
Other payable	-	(75)	-	-
Accounts payable	(1,055)	(5,552)	1,834	(1,582)
Total adjustments	<u>157,701</u>	<u>191,232</u>	<u>202,374</u>	<u>196,361</u>
Net cash provided by operating activities	<u>\$ 204,262</u>	<u>\$ 228,209</u>	<u>\$ 213,184</u>	<u>\$ 207,799</u>
Noncash capital activities:				
Contributions of capital assets	\$ 14,616	\$ 22,968	\$ 20,881	\$ 8,352

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

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was established under the laws of the State of Indiana. The District operates under an appointed Board of Trustees form of government and provides the following services: wastewater removal and treatment.

The accompanying financial statements present the activities of the District. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Other Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statute (IC 5-13-9) authorizes the District to invest in securities, including but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Nonparticipating certificates of deposit, demand deposits and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Debt securities are reported at fair value. Debt securities are defined as securities backed by the full faith and credit of the United States Treasury or fully insured or guaranteed by the United States or any United States government agency.

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

Open-end mutual funds are reported at fair value.

Money market investments that mature within one year or less at the date of their acquisition are reported at amortized cost. Other money market investments are reported at fair value.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Inventories and Prepaid Items

Materials and supplies purchased throughout the year for repair and maintenance of the District are charged to expense accounts at the time of purchase. Inventories of materials and supplies at year end are not considered material and, therefore, are not reflected in the financial statements.

3. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond indentures or governing body action.

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Collection systems	\$ 1,000	Straight-line	33 <sup>1</sup> / <sub>3</sub> years
Treatment plants	1,000	Straight-line	33 <sup>1</sup> / <sub>3</sub> years
Vehicles	1,000	Straight-line	5 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the District during 2001, 2002, 2003, and 2004, was \$42,102, \$28,071, \$21,793 and \$14,976, respectively. None of the interest expense for these years was included as part of the cost of capital assets under construction in connection with the wastewater treatment facilities construction project.

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

5. Compensated Absences

There are no employees for the South Central Regional Sewer District.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Detailed Notes on All Funds

A. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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.

B. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 53,162	\$ -	\$ -	\$ 53,162
Construction in progress	199,205	363,318	-	562,523
				-
Total capital assets, not being depreciated	<u>252,367</u>	<u>363,318</u>	<u>-</u>	<u>615,685</u>
Capital assets, being depreciated:				
Collection system	5,533,161	149,621	-	5,682,782
Treatment plant	1,502,640	100,822	-	1,603,462
Transportation equipment	25,899	-	-	25,899
Totals	<u>7,061,700</u>	<u>250,443</u>	<u>-</u>	<u>7,312,143</u>
Less accumulated depreciation for:				
Collection system	1,591,815	165,831	-	1,757,646
Treatment plant	480,530	45,081	-	525,611
Transportation equipment	25,899	-	-	25,899
Totals	<u>2,098,244</u>	<u>210,912</u>	<u>-</u>	<u>2,309,156</u>
Total capital assets, being depreciated, net	<u>4,963,456</u>	<u>39,531</u>	<u>-</u>	<u>5,002,987</u>
Total capital assets, net	<u>\$ 5,215,823</u>	<u>\$ 402,849</u>	<u>\$ -</u>	<u>\$ 5,618,672</u>

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions/programs of the District as follows:

Wastewater      \$    210,912

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	<u>Total Project Authorized</u>	<u>Expended to December 31, 2004</u>	<u>Committed</u>	<u>Required Future Funding</u>
Van Buren	<u>\$ 1,973,021</u>	<u>\$ 562,523</u>	<u>\$ 1,410,498</u>	<u>\$ 1,410,498</u>

D. Short-Term Liabilities

The District uses short-term notes and loans to finance a variety of public projects, including capital and funding needs.

Short-term debt activity for the year ended December 31, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Issued/ Draws</u>	<u>Redeemed Repayments</u>	<u>Ending Balance</u>
Loan	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>

E. Long-Term Liabilities

1. Revenue Bonds

The District issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at December 31, 2004, are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Deferred Amount On Refunding</u>	<u>Revenue Bonds</u>
2002 Sewage Revenue Bonds - Lake Monroe	7.88%	\$ 97,000	\$ -	\$ 97,000
1996 Sewage Revenue Bonds - Harodsburg	5.00%	85,000	-	85,000
1983 Sewage Revenue Bonds - Stinesville	5.00%	96,000	-	96,000
2000 Sewage Revenue Bonds - Briarwood	1.00%	<u>135,050</u>	<u>8,555</u>	<u>143,605</u>
Totals		<u>\$ 413,050</u>	<u>\$ 8,555</u>	<u>\$ 421,605</u>

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	District	
	Principal	Interest
2005	\$ 108,700	\$ 18,044
2006	12,800	10,041
2007	12,900	9,712
2008	13,100	9,383
2009	13,100	9,053
2010-2014	76,050	39,524
2015-2019	86,350	28,339
2020-2024	46,050	15,579
2025-2029	19,000	9,200
2030-2034	25,000	3,750
Totals	<u>\$ 413,050</u>	<u>\$ 152,625</u>

2. Advance Refunding

The Indiana Bond Bank issued its Indiana Bond Bank Special Program Refunding Bonds, Series 2000A (the "refunding Bond Bank Bonds") for the purpose of refunding all or a portion of the Bond Bank Bonds and, as a condition to sharing a portion of the savings associated with the Refunding Bond Bank Bonds with the District, the Bond Bank has requested that the District issue the 2002 Refunding Bonds and exchange the 2002 Refunding Bonds for 1990 Bonds. On March 27, 2002, the District issued \$342,000 in refunding revenue bonds in exchange for \$342,000 of outstanding 1990 Revenue Bonds. The District received \$34,219 from the Bond Bank as a portion of the savings associated with the Refunding Bond Bank Bonds. The exchange resulted in an accounting gain of \$34,219. This amount will be amortized using the straight-line method and netted against interest expense the four year period ending December 31, 2005.

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds payable:					
Wastewater Utility	<u>\$ 513,750</u>	<u>\$ -</u>	<u>\$ 100,700</u>	<u>\$ 413,050</u>	<u>\$ 108,700</u>

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

Customer deposits	\$ 2,500
Revenue bond and interest account	42,164
Construction account (LaSalle Woods)	30,782
Reserve account	<u>177,773</u>
 Total restricted assets	 <u><u>\$ 253,219</u></u>

III. Other Information

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

B. Name Change

The District received approval to change the name Monroe County Regional Sewer District to South Central Regional Sewer District on March 23, 2005.

C. Rate Structure

The current rate structure was approved by the District as follows:

Lake Monroe Division on January 10, 1996  
Stinesville Division on February 22, 2006  
Van Buren Division on July 26, 2006  
Briarwood Division on March 22, 2000  
North Park Division on July 26, 2006

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

The South Central Regional Sewer District was using the following form which had not been approved for use in lieu of a prescribed form:

General Ledger

Municipal Sewage Utility Accounts Payable Voucher (Utility Form 301S) was not used to support disbursements in numerous instances by the South Central Regional Sewer District.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONDITION OF RECORDS

The following deficiencies relating to the record keeping were present during our period of audit:

1. The information presented for audit indicates that numerous posting errors were made in the District's accounting records.
2. The Accounts Receivable control did not agree with the detail as of December 31, 2001, December 31, 2002, and December 31, 2003.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ORDINANCES AND RESOLUTIONS

The South Central Regional Sewer District issued \$165,000 of revenue bonds in 2000. The District was required by the bond ordinance to establish a bond and interest account and a reserve account for the Briarwood Division. The District did not establish these accounts.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

1. Claims were not prepared for all disbursements.
2. Some claims were not adequately itemized.

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

3. Claims were not certified by the fiscal officer.
4. Some claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

#### SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

#### PENALTIES, INTEREST AND OTHER CHARGES

Late charges totaling \$201.92 were paid by the District during the audit period.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SOUTH CENTRAL REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 16, 2007, with Gary Lentz, President of the District Board; Benjamin Keutzer, Treasurer; Rick Coppock, Utility Manager; Phil Hathaway, Accountant; and Theodore Ferguson, Attorney. The officials concurred with our audit findings.