

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

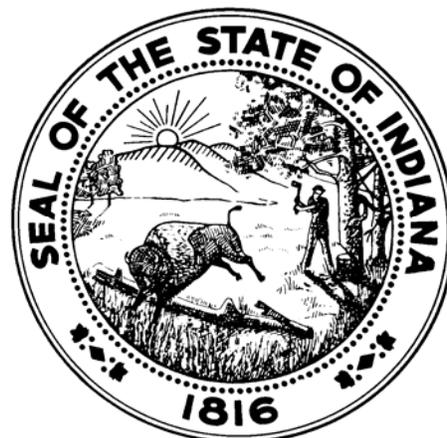
AUDIT REPORT

OF

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT

JENNINGS COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**

09/25/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Ophelia Tunstill	01-01-05 to 04-04-05
	Chad Pittman	04-05-05 to 08-15-05
	Wilma Hudson	08-16-05 to 04-10-06
	James Shinolt	04-11-06 to 12-31-07
President of the Board	Wilma Hudson	01-01-05 to 03-09-06
	Vacant	03-10-06 to 04-10-06
	Robert Leahigh	04-11-06 to 02-19-07
	Daniel Norris	02-20-07 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE CAMPBELL TOWNSHIP REGIONAL  
SEWER DISTRICT, JENNINGS COUNTY, INDIANA

We were engaged to audit the financial statements of the Campbell Township Regional Sewer District (Sewer District), as of and for the years ended December 31, 2005 and 2006. These financial statements are the responsibility of the Sewer District's management.

Financial records for the years ended December 31, 2005 and 2006, were incomplete and not reflective of the activity of the Sewer District's business-type activities. The records did not provide sufficient information to audit or establish receipts, disbursements, ending balances or the accuracy or correctness of the transactions. Accordingly, basic financial statements for the years ended December 31, 2005 and 2006, are not presented. Cash and investments presented at December 31, 2005 and December 31, 2006, are based on balances shown on depository statements and not record balances prepared by management. As a result, the validity and accountability of cash and investments and net assets as of December 31, 2005, and December 31, 2006, could not be established.

Since the officials of the Campbell Township Sewer District did not maintain adequate financial records as discussed in the preceding paragraph, the scope of our audit work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements.

The Sewer District has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated July 30, 2007, on our consideration of the Sewer District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

STATE BOARD OF ACCOUNTS

July 30, 2007



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**TO: THE OFFICIALS OF THE CAMPBELL TOWNSHIP REGIONAL  
SEWER DISTRICT, JENNINGS COUNTY, INDIANA**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Campbell Township Regional Sewer District (Sewer District), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Sewer District's basic financial statements and have issued our report thereon dated July 30, 2007. The opinions to the financial statements were qualified due to incomplete records. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Sewer District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Sewer District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sewer District's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in items 2006-1, 2006-2, and 2006-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider items 2006-1, 2006-2, and 2006-3, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewer District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1, 2006-2, and 2006-3.

This report is intended solely for the information and use of the Sewer District's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 30, 2007

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
STATEMENT OF ASSETS AND FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
December 31, 2005 and December 31, 2006

	2005	2006
<u>Cash and Investments Assets-December 31</u>		
Cash and investments	\$ 8,325	\$ 4,497
Restricted assets:		
Cash and investments	-	6,819
Total cash and investment assets - December 31	\$ 8,325	\$ 11,316
<u>Cash and Investment Fund Balance - December 31</u>		
Restricted for:		
Construction	\$ -	\$ 6,819
Unrestricted	8,325	4,497
Total cash and investment fund balance - December 31	\$ 8,325	\$ 11,316

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

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Sewer District was established under the laws of the State of Indiana. The Sewer District operates under an appointed governing board.

The Sewer District's financial reporting entity is composed of the following:

Primary Government: Campbell Township Regional Sewer District

In determining the financial reporting entity, the Sewer District complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements.

C. Measurement Focus and Basis of Accounting

The proprietary fund's financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Sewer District utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Sewer District has elected not to follow subsequent private-sector guidance.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds).

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as liabilities in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

4. Equity Classification

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Sewer District's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

II. Detailed Notes on All Funds

Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Investments

Investment Policies

Indiana Code 5-13-9 authorizes the Sewer District to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Sewer District to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Sewer District and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Sewer District may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Sewer District's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

III. Other Information

A. Risk Management

The Sewer 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 are covered by commercial insurance from independent third parties. Risk financing is not utilized for the other risks of loss.

B. Noncompliance – Legal/Contractual Provisions

The Sewer District obtained a loan with the Indiana Finance Authority for the construction of a wastewater system. The loan is subject to certain covenants made by Ordinance No. 2005-1 and a loan agreement requiring payment of interest and repayment of loan principal in accordance with an agreed upon schedule. The Sewer District was unable to pay the \$42,000 principal payment due on January 1, 2007.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Sewer Utility		
Revenue bonds:		
Sewer Construction	\$ 690,713	\$ 42,000

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

The primary financial activity of the District during the years 2005 and 2006 was the receipt and disbursement of construction grant funds. The records presented for audit for the construction fund did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The following is a description of deficiencies related to recordkeeping for a construction grant:

1. No ledger was presented for our examination and no bank statements were presented for examination. The only financial record maintained was a checkbook. The checkbook did not show cash balances, entries were not always recorded completely, and entries were not always legible.

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)

2. Bank statements and canceled checks for all of 2005 and part of 2006 were not presented for audit. Bank statements and canceled checks had to be obtained directly from the bank.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Disbursement documentation (invoices) was not filed in an organized manner. This condition caused tracing checks to supporting documentation to be a difficult process. We found several instances where invoices could not be located.
4. Receipts were not issued for grant monies received.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

BANK ACCOUNT RECONCILIATIONS

No bank reconciliations for the construction account were presented for our audit.

Indiana Code 5-13-6-1(e) states in part: "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."

PRESCRIBED FORMS

The following prescribed forms were not in use:

1. Simplified Cash Journal- Municipal Sewage Utility (Utility Form 323), the prescribed form to account for all Sewer District funds.

The Sewer District's Treasurer was responsible for keeping the accounting records for the construction account. The Sewer District contracts with a bookkeeper to keep the accounting records for the operating account. Due to the Sewer District separating these responsibilities, the financial activity of the Sewer District is not recorded on a central accounting record.

2. Water and Sewage Receipt (Form 311), which should be issued when monies are received from any source other than from payments on customer service accounts.
3. Check (General Form 353).
4. Municipal Sewage Utility Accounts Payable Voucher (Form 301S).

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)

ERROR ON CLAIMS

Required disbursement procedures were not followed, as described below:

1. There were 23 checks totaling \$19,636 paid from the construction account that were not supported by invoices or contractor billings.
2. There was no evidence presented for audit to indicate that the Board was approving payments.
3. The receipt of goods or services purchased was not documented.

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.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

- (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.  
. . ."

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference. . . ."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

BOND ORDINANCE REQUIREMENTS

The Sewer District was unable to pay the \$42,000 principal payment due on January 1, 2007, on a State Revolving Fund Loan.

The Sewer District obtained the loan from the Indiana Finance Authority for the construction of a wastewater system. The loan is subject to certain covenants made by Ordinance 2005-1 and a loan agreement requiring payment of interest and repayment of loan principal in accordance with an agreed upon schedule.

Each governmental unit is responsible for complying with the ordinances, resolution, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONFLICT OF INTEREST

Board member Rolla Milspaugh was hired to clear trees for the Sewer District in 2006. He was not paid directly. The \$5,000 fee was applied to the amount he owed on his account with the Sewer District. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: 1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DAILY DEPOSITS

According to Auditor of State records and Sewer District bank statements, checks written by the Auditor of State to the Sewer District were not deposited timely as shown below:

<u>Date of Checks</u>	<u>Amount</u>	<u>Date of Deposit</u>
04-11-06	\$ 104,472	05-10-06
05-10-06	109,644	06-22-06

Indiana Code 5-13-6-1 requires all public funds shall be deposited not later than the business day following the receipt of funds on business days of the depository. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 15)

DELINQUENT PENALTIES NOT CHARGED

The Sewer District did not assess penalties on customer accounts that have been delinquent for 30 days or more.

Section 6 of Ordinance 2005-1 states: "A late payment penalty of ten percent (10%) of the bill will be added to each delinquent bill for each thirty (30) days or portion thereof of delinquency."

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 13-26-14-4 states:

"Rates, fees, or charges made, assessed, or established by the district are a lien on a lot, parcel of land, or building that is connected with or uses the works of the district in the manner established under IC 36-9-23. The liens:

- (1) attach;
- (2) are recorded;
- (3) are subject to the same penalties, interest, and reasonable attorney's fees on recovery; and
- (4) shall be collected and enforced; in substantially the same manner as provided in IC 36-9-23-31 through IC 36-9-23-32."

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
  - (B) A description of the premises, as shown by the records of the county auditor.
  - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CAMPBELL TOWNSHIP REGIONAL  
SEWER DISTRICT, JENNINGS COUNTY, INDIANA

Compliance

We have audited the compliance of the Campbell Township Regional Sewer District (Sewer District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. The Sewer District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Sewer District's management. Our responsibility is to express an opinion on the Sewer District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Sewer District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Sewer District's compliance with those requirements.

In our opinion, the Sewer District complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2006-4.

Internal Control Over Compliance

The management of the Sewer District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Sewer District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Sewer District's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Sewer District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2006-4 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

The Sewer District's response to the findings identified in our audit are described in the accompanying Corrective Action Plan section of the report. We did not audit the Sewer District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Sewer District's management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 30, 2007

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Congressionally Mandated Projects Campbell Township Regional Sewer District EPA Hardship Grant	66.202	FY 2005-06	\$ 233,903	\$ 619,164
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds State Revolving Fund Loan	66.458	SRF No. WW0505401	<u>72,066</u>	<u>232,124</u>
Total federal awards expended			<u>\$ 305,969</u>	<u>\$ 851,288</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Campbell Township Regional Sewer District (Sewer District) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of sewer districts shall be conducted biennially. Such audits shall include both years within the biennial period.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Disclaimer

Internal control over financial reporting:

Material weaknesses identified?	yes
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? yes

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.202	Congressionally Mandated Projects
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II - Financial Statement Findings

FINDING 2006-1, CONDITION OF RECORDS

The primary financial activity of the Sewer District during the years 2005 and 2006 was the receipt and disbursement of construction grant funds. The records presented for examination for the construction fund did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The following is a description of deficiencies related to recordkeeping for a construction grant:

1. No ledger was presented for our examination and no bank statements were presented for examination. The only financial record maintained was a checkbook. The checkbook did not show cash balances, entries were not always recorded completely, and entries were not always legible.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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)

2. Bank statements and canceled checks for all of 2005 and part of 2006 were not presented for audit. Bank statements and canceled checks had to be obtained directly from the bank.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

3. Disbursement documentation (invoices) was not filed in an organized manner. This condition caused tracing checks to supporting documentation to be a difficult process. We found several instances where invoices could not be located.
4. Receipts were not issued for grant monies received.

Receipts shall be issued and recorded at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditor's Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FINDING 2006-2, BANK ACCOUNT RECONCILIATIONS

No bank reconciliations for the construction account were presented for our audit.

Indiana Code 5-13-6-1(e) states in part: "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."

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

FINDING 2006-3, ERROR ON CLAIMS

Required disbursement procedures were not followed, as described below:

1. There were 23 checks totaling \$19,636 paid from the construction account that were not supported by invoices or contractor billings.
2. There was no evidence presented for audit to indicate that the Board was approving payments.
3. The receipt of goods or services purchased was not documented.

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.  
..."

Section III - Financial Statement Findings

FINDING 2006-4, CASH MANAGEMENT

Federal Agency: Environmental Protection Agency  
Federal Program: Congressionally Mandated Projects  
CFDA No. 66.202  
Federal Award No. Campbell Township Regional Sewer District EPA Hardship Grant  
Pass Through Entity: Indiana Department of Environmental Management

The Sewer District did not disburse grant monies in a timely manner. This was due, primarily, to the Sewer District not depositing the grant receipts timely. The following are examples of grant receipts not deposited timely:

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 (Continued)

Date Received	Amount	Date Deposited
04-11-06	\$ 104,472	05-10-06
05-10-06	59,039	06-22-06
06-05-06	50,605	06-22-06

40 CFR 31.20 states in part:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursements by grantees and subgrantees must be followed whenever advance payment procedures are used. . . . the grantee must make drawdowns as close as possible to the time of making disbursements. . . ."

Noncompliance with cash management requirements results in the loss of interest income to the grantor.

We recommended that the grantee implement procedures that will reduce the time elapsed between the transfer of funds from grantors and the disbursement of these funds.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
P.O. Box 146  
Butlerville, IN 47223

CORRECTIVE ACTION PLAN

Contact Person: James Shinolt  
Title: Treasurer  
Phone Number: (812) 458-6205  
Expected Completion Date: December 31, 2007

Finding 2006-1 CONDITION OF RECORDS

We plan to order and use State Board of Accounts prescribed forms or an approved computerized accounting system in the prescribed manner. We will retain sufficient records to support accurate financial statements and to provide sufficient information for audit.

Finding 2006-2 ERRORS ON CLAIMS

We will use the prescribed claim forms in the prescribed manner and attach support including itemized invoices which will be retained for audit in a systematic manner. We will not disburse funds without adequate support.

Finding 2006-3 BANK ACCOUNT RECONCILIATIONS

We will perform reconciliations record balances to account balances for all the District's bank accounts on a monthly basis. We will retain those bank account reconciliations for audit.

Finding 2006-4 CASH MANAGEMENT

We will deposit checks no later than the next business day after they are received. We will not request funds from CFDA #66.602 unless we plan to make immediate payment to the vendors. We will adopt procedures to minimize the time elapsing between the time funds are received and disbursed.

Name   
Title Treas.  
Date 7-30-07

CAMPBELL TOWNSHIP REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on July 30, 2007, with Daniel Norris, President of the Board; and James Shinolt, Treasurer. The officials concurred with our audit findings.