

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

AUDIT REPORT
OF
WATER AND WASTEWATER UTILITIES
CITY OF BLOOMINGTON
MONROE COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
10/30/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Transmittal Letter	3
Audit Result and Comment: Delinquent Wastewater Accounts	4
Exit Conference	5
Official Response	6

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Patrick Murphy	01-01-06 to 12-31-07
Controller	Susan Clark	01-01-06 to 12-31-07
Mayor	Mark Kruzan	01-01-06 to 12-31-07
President of the Utility Service Board	Thomas Swafford	01-01-06 to 12-31-07
President of the Common Council	Chris Sturbaum Dave Rollo	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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TO: THE OFFICIALS OF THE CITY OF BLOOMINGTON, INDIANA

We have audited the records of the City of Bloomington Water and Wastewater Utilities for the period from January 1, 2006 to December 31, 2006, and certify that the records and accountability for cash and other assets are satisfactory to the best of our knowledge and belief, except as stated in the Audit Result and Comment. The financial transactions of this office are reflected in the Comprehensive Annual Financial Report of the City of Bloomington for the year 2006.

STATE BOARD OF ACCOUNTS

June 21, 2007

WATER AND WASTEWATER UTILITIES
CITY OF BLOOMINGTON
AUDIT RESULT AND COMMENT

DELINQUENT WASTEWATER ACCOUNTS

Most 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. This was noted in the audit report for the period ending December 31, 2005, B28974, the audit report for the period ending December 31, 2004, B26355, the audit report for the period ending December 31, 2003, B24001, and in the audit reports for the period ending December 31, 2002, B21115 for Water and B21116 for Wastewater.

The Utilities staff does have an approved policy regarding liens. As of December 31, 2006, there were 2,982 accounts on the Aged Accounts Receivable listing of 90 days or more delinquent, this is an increase from the previous audit of 574 accounts. During 2006, only 198 liens were filed.

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. . . ."

WATER AND WASTEWATER UTILITIES
CITY OF BLOOMINGTON
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2007, with Mark Kruzan, Mayor; James McNamara, Deputy Mayor; Susan Clark, Controller; Kevin Robling, Corporate Counsel; Thomas Swafford, President of the Utility Service Board; Patrick Murphy, Director; Michael Horstman, Assistant Director/Finance; Michael Trexler, Budget/Research Analyst; and Maria Heslin, Communications Director. The official response has been made a part of this report and may be found on page 6.

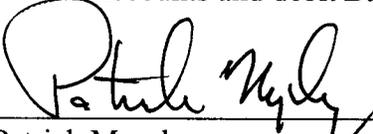
City of Bloomington Utilities Department
Response to Utilities 2006 Audit Report

SBA Comment: 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. This was noted in the audit report for the period ending December 31, 2005, number B28974, the audit report for the period ending December 31, 2004, number B26355, the audit report for the period ending December 31, 2003, number B24001, and in the audit report for the period ending December 31, 2002, number B21115 for Water and number B21116 for Wastewater.

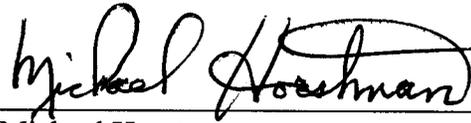
The Utilities staff does have an approved policy regarding liens. As of December 31, 2006 there were 2,982 accounts on the Aged Accounts Receivable listing of 90 days or more, this is an increase from the previous audit of 574 accounts. During 2006 only 198 liens were filed.

City Action: Utilities Staff intends to take the following actions in response to the above comment:

1. Delinquent wastewater accounts with a balance greater than \$40 and more than 90 days overdue will be handled in one of two manners. (1) For those properties where ownership has not changed since the account became delinquent, Utilities will record a lien on the property in accordance with IC 36-9-23-33. This action will focus on accounts that became delinquent before April of 2005, as the Utilities has recoded liens to the best of its ability since then. (2) For properties where ownership has changed since the account became delinquent, Utilities will send a letter to the previous owner demanding payment in accordance with IC 36-9-23-32.
2. Indiana Code section 36-9-23-33 (1) empowers a board to write off a wastewater fee or penalty that is less than \$40. However, the Code does not address delinquent water balances. Utilities staff will propose a resolution similar to the above mentioned code that will apply to water balances. Although the Audit comment refers to delinquent wastewater balances, the staff feels it would be most efficient to address both issues concurrently.
3. Generally Accepted Accounting Principles (GAAP) allow for a Provision for Doubtful Accounts to be used as an offset for Bad Debt within Accounts Receivable. The provision will be established as a percentage of total Accounts Receivable based on past collection rates. A journal entry will be posted to credit the Provision for Doubtful Accounts and debit Bad Debt Expense.



Patrick Murphy
Utilities Director



Michael Horstman
Assistant Director, Finance