

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

EXAMINATION REPORT

OF

K AND H REGIONAL SEWER DISTRICT

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
11/15/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Linda Minnick	01-01-06 to 12-31-07
President of the Utility Service Board	James D. Minnick	01-01-06 to 12-31-07
Treasurer	Scott Sneddon	01-01-06 to 12-31-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE K AND H REGIONAL SEWER DISTRICT, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of the K and H Regional Sewer District (District), for the period of January 1, 2006 to December 31, 2006. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 4, 2007

K AND H REGIONAL SEWER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Wastewater Utility - Operating	\$ 259,547	\$ 379,324	\$ 313,402	\$ 325,469
Wastewater Utility - Sinking	193	91,080	91,049	224
Wastewater Utility - Debt Service Reserve	162,431	2,482	-	164,913
Wastewater Utility - Construction	56,016	-	-	56,016
Totals	\$ 478,187	\$ 472,886	\$ 404,451	\$ 546,622

The accompanying notes are an integral part of the financial information.

K AND H REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater utility services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. 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.

State statute (Indiana Code 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.

K AND H REGIONAL SEWER DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

General infrastructure assets completed in the current and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Wastewater Utility:	
Capital assets, net of accumulated depreciation:	
Improvements other than buildings	<u>\$ 2,598,571</u>

K AND H REGIONAL SEWER DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Sewage Works Improvement	\$ 985,000	\$ 45,000

K AND H REGIONAL SEWER DISTRICT
EXAMINATION RESULT AND COMMENT

UTILITY LATE FEES

During May and September 2006, instances were noted where penalties were applied twice to customer accounts. Our examination of the billings also revealed that one customer did not receive appropriate late charges. These errors were due to internal control problems with the computerized system which should automatically apply one penalty per month per delinquent account. The Office Manager is working on crediting the appropriate customer accounts for the extra penalties charged in 2006.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control.

The computerized accounting system must incorporate features that assure all accounting information is reported accurately and completely. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 11)

K AND H REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 4, 2007, with Linda Minnick, Office Manager; and James D. Minnick, President of the Utility Service Board. The officials concurred with our finding.