

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

EXAMINATION REPORT  
OF  
SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
SCOTT COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
01/16/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Schmittler	01-01-06 to 12-31-08
President of the Board	Larry E. Bower	01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SCOTT COUNTY REGIONAL  
SEWAGE DISTRICT, SCOTT COUNTY, INDIANA

We have examined the financial information presented herein of the Scott County Regional Sewage District (District), for the period of January 1, 2006 to December 31, 2007. 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 years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. The schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

December 22, 2008

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Operating	\$ 58,906	\$ 237,534	\$ 257,125	\$ 39,315
Bond and Interest	135,635	69,058	66,666	138,027
Construction	<u>382</u>	<u>-</u>	<u>382</u>	<u>-</u>
Totals	<u>\$ 194,923</u>	<u>\$ 306,592</u>	<u>\$ 324,173</u>	<u>\$ 177,342</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Operating	\$ 39,315	\$ 234,870	\$ 231,103	\$ 43,082
Bond and Interest	<u>138,027</u>	<u>68,735</u>	<u>66,239</u>	<u>140,523</u>
Totals	<u>\$ 177,342</u>	<u>\$ 303,605</u>	<u>\$ 297,342</u>	<u>\$ 183,605</u>

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

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater collection and treatment 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 (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.

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
2001 Refunding revenue bonds	\$ 235,000	\$ 24,056
2001 Improvement revenue bonds	207,000	12,180
Loans		
Build Indiana loan of 1998	76,558	8,929
Line of credit	<u>28,247</u>	<u>7,022</u>
 Total Wastewater Utility	 <u>\$ 546,805</u>	 <u>\$ 52,187</u>

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

We found the following deficiencies related to recordkeeping:

1. The Simplified Cash Journal-Municipal Sewage Utility (Form 323) was not properly used during the year 2006. Columns were not totaled and the financial activities and cash balances for the Bond and Interest Fund were not recorded on this form. The Simplified Cash Journal for the year 2007 was not presented for examination. The form in use, the Cumulative General Ledger, has not been approved by the State Board of Accounts and the Bond and Interest fund was also not recorded on this record.

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. We found instances of deposits that included other receipts such as tap in fees which were not identified separately in the Cumulative General Ledger.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

3. The District did not formally establish a cash change fund. Instead, monies were withheld from the daily cash receipts as needed for change.

Indiana Code 5-13-6-1-(c) states in part:

"Public funds . . . shall be deposited in the same form in which they were received."

A similar comment was reported in prior Report B29610.

INVESTING PROCEDURES

We noted the following regarding the District's purchase of certificates of deposits:

1. No record of quotes taken for investment in certificates of deposit was presented for examination.

Indiana Code 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. The District has been renewing a certificate of deposit in the Bond and Interest Fund at each maturity date by rolling over the principal and interest accrued to the date of maturity.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in prior Report B29610.

APPROVAL OF CLAIMS

The Board of Trustees did not sign individual Accounts Payable Vouchers or an Accounts Payable Voucher Register.

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

"(a) As used in this section, 'governmental entity' refers to . . . (4) A regional water or sewer district organized under IC 13-26 . . .

(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 . . . (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. . . ."

A similar comment was reported in prior Report B29610.

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Records classifying and summarizing the Utility's capital assets are incomplete. Acquisitions or disposals of capital assets are not recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the Capital Assets Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in prior Report B29610.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONTRACTS

Periodic personal service payments were made for legal, accounting, and maintenance services without written contracts being presented for examination outlining the basic services to be performed and compensation to be made. We also noted that the District was paying workmen's compensation insurance for one contractor which was not included as a contract provision.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in prior Report B29610.

ELECTION OF OFFICERS

The District does not have a formal process in place to elect officers.

Indiana Code 13-26-5-3 (a) states in part:

"The board may by rules and resolutions provide . . . The manner of selection of the board's president, treasurer, and secretary and other officers or employees of the district, including the titles, terms of office, compensation, duties, number, and qualifications.

A similar comment was reported in prior Report B29610.

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on December 22, 2008, with Larry E. Bower, President of the Board. The official concurred with our findings.