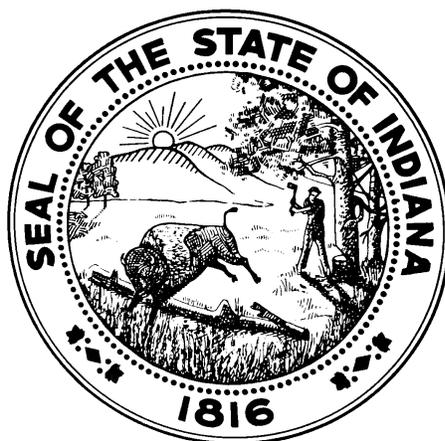


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TAYLOR REGIONAL SEWER DISTRICT
HOWARD COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
02/09/2009

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|--------------------|----------------------|
| Financial Clerk | Patricia Swavey | 01-01-06 to 12-31-08 |
| Treasurer | Candy Jones | 01-01-06 to 04-10-07 |
| President of the Board | Russell Adair, Jr. | 01-01-06 to 12-31-08 |



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF TAYLOR REGIONAL SEWER DISTRICT, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of Taylor Regional Sewer 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 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

December 17, 2008

TAYLOR REGIONAL SEWER 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: | | | | |
| Wastewater Utility Operating | \$ 356,546 | \$ 688,552 | \$ 981,070 | \$ 64,028 |
| Wastewater Utility DSR Account | 28,953 | 207,766 | 116,883 | 119,836 |
| Wastewater Utility Cable Escrow | 141,150 | 9,303 | 95,351 | 55,102 |
| Wastewater Utility Sinking Account | 31,083 | 187,654 | 152,664 | 66,073 |
| Totals | <u>\$ 557,732</u> | <u>\$ 1,093,275</u> | <u>\$ 1,345,968</u> | <u>\$ 305,039</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|------------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Proprietary Funds: | | | | |
| Wastewater Utility Operating | \$ 64,028 | \$ 301,082 | \$ 308,973 | \$ 56,137 |
| Wastewater Utility DSR Account | 119,836 | 141,959 | 136,481 | 125,314 |
| Wastewater Utility Cable Escrow | 55,102 | 693 | 43,195 | 12,600 |
| Wastewater Utility Sinking Account | 66,073 | 273,769 | 263,473 | 76,369 |
| Totals | <u>\$ 305,039</u> | <u>\$ 717,503</u> | <u>\$ 752,122</u> | <u>\$ 270,420</u> |

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

TAYLOR 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 sewer services to the residents.

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.

TAYLOR REGIONAL SEWER DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Construction in Progress | \$ 4,612,587 |
| Machinery and equipment | <u>11,644</u> |
| Total Wastewater Utility capital assets | <u>4,624,231</u> |
| Total business-type activities capital assets | <u>\$ 4,624,231</u> |

TAYLOR REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Unitttype 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: | | |
| Wastewater State Revolving Loan | \$ 3,810,329 | \$ 200,332 |
| Total Wastewater Utility | <u>3,810,329</u> | <u>200,332</u> |
| Total business-type activities debt: | <u>\$ 3,810,329</u> | <u>\$ 200,332</u> |

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

Not all minutes of meetings of the governing body were available for the examination period. There were not any minutes provided for 2008.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

PRESCRIBED FORMS

The prescribed mileage claim Form 101 was not in use.

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 Cities and Towns, Chapter 7)

NO TREASURER APPOINTED

The Taylor Regional Sewer District Board terminated the employment of the District Treasurer on April 10, 2007. They have not appointed a new Treasurer and, therefore, for all transactions completed since that date, have not been in compliance with statutory requirements.

IC 13-26-5-1 states in part: ". . . Prerequisites to exercising rights, powers, and duties;

Sec. 1. Upon:

- (1) the declaration of the commissioner organizing a district;
- (2) the qualification of the board; and
- (3) the election of a president, a treasurer, and a secretary; the district may exercise in the district's own name, as a municipal corporation, all the rights, powers, and duties conferred upon the district by this article."

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

- (1) Of the disbursements tested, 24% did not have claims prepared.
- (2) None of the claims tested were approved by the Treasurer.
- (3) None of the claims had board approval.
- (4) 50% of claims or invoices requiring support for receipt of goods or services were not accompanied by such evidence.

IC 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."

FORM 1099 NOT ISSUED

Form 1099 was not properly prepared for all contracted employees that received in excess of \$600 per year for either year of the examination period.

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 Special Districts, Chapter 10)

CONFLICT OF INTEREST

Russell Adair, Jr. has been performing a lawn mowing service for the sewer district, while holding the position of Board President. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 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."

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. The Board President received reimbursement from the District for repair parts needed for the wastewater facility without the receipt or invoice being provided. Also, he was reimbursed for cell phone and home phone long distance charges, but the corresponding bills were not provided. There were also instances when the president was paid for mileage and labor without specific documentation detailing locations traveled to or hours worked. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, 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)

TAYLOR REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December, 31 2008, with Patricia Swavey, Financial Clerk.

The contents of this report were discussed on January 21, 2009, with Russell Adair Jr., President of the Board. The official concurred with our findings.