

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

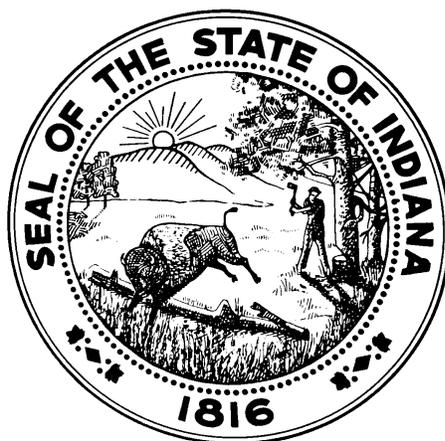
EXAMINATION REPORT

OF

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT

SWITZERLAND COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
03/17/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda F. Elam	01-01-06 to 12-31-09
President of the Board	Keith L. Penick	01-01-06 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EAST ENTERPRISE REGIONAL
SEWAGE DISTRICT, SWITZERLAND COUNTY, INDIANA

We have examined the financial information presented herein of the East Enterprise 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part 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.

January 15, 2009

STATE BOARD OF ACCOUNTS

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY FUNDS
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	\$ 4,170	\$ 182,094	\$ 153,823	\$ 32,441
Bond and Interest	2,390	24,060	-	26,450
Debt Service Reserve	24,773	25,111	29,000	20,884
Construction	15,253	75	-	15,328
Totals	<u>\$ 46,586</u>	<u>\$ 231,340</u>	<u>\$ 182,823</u>	<u>\$ 95,103</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Operating	\$ 32,441	\$ 98,280	\$ 129,791	\$ 930
Bond and Interest	26,450	286	14,450	12,286
Debt Service Reserve	20,884	2,402	286	23,000
Construction	15,328	439	-	15,767
Totals	<u>\$ 95,103</u>	<u>\$ 101,407</u>	<u>\$ 144,527</u>	<u>\$ 51,983</u>

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

EAST ENTERPRISE 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.

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

December 31, 2007

Capital assets are reported at actual cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Capital assets, not being depreciated:	
Land	\$ 24,242
Infrastructure	3,175
Buildings	7,734
Improvements other than buildings	<u>1,034,791</u>
Total business-type activities capital assets	<u>\$ 1,069,942</u>

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activity:		
1994 Sewage works revenue bond	<u>\$ 354,000</u>	<u>\$ 24,585</u>

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Monthly bank reconciliations of the Operating Fund's record cash balance to the bank account balance were not performed. This condition resulted in errors in the recording of financial activity going undetected and uncorrected.

IC 5-13-6-1(e) states: "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."

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)

A similar comment was reported in the prior Report B29593.

ACCOUNTS RECEIVABLE CONTROL

The District does not maintain an accounts receivable control and no reconciliation procedures were performed to determine the accuracy of the detailed accounts receivable balances.

When utility records are kept on a cash or single-entry basis, a separate control should be carried on General Ledger Sheet, General Form 315, in the front of the Consumer's Ledger. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 22)

Controls over the receipting, disbursing, recording, and accounting for 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)

A similar comment was reported in the prior Report B29593.

ADJUSTMENTS TO CUSTOMER ACCOUNTS

Adjustments were made to customer accounts. However, adjustment printouts generated by the District's computer system were not presented for examination. Adjustments were also not approved by a second person or by the Board. The District also does not have a written policy covering procedures for writing off bad debts, uncollectible accounts receivable, or any other adjustments to a customer account balance.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in the prior Report B29593.

DELINQUENT ACCOUNTS

Delinquent wastewater fees and penalties have not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. Linda Elam, Treasurer, stated the District had \$53,392 in delinquent wastewater fees and penalties as of October 14, 2008. This amount includes \$11,921 of delinquent accounts on property owned by the Treasurer.

IC 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."

IC 36-9-23-32 (a) states in part: ". . . the lien attaches when notice of the lien is filed in the county recorder's office under section 33 of this chapter."

IC 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 (A) 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. . . ."

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Treasurer stated that a letter has been written to the delinquent customers notifying them that if they do not pay the District or set up a payment schedule a lien will be placed on their property.

BOOKKEEPER'S COMPENSATION

The Board approved the salary for the Bookkeeper at the rate of \$1,000 per month effective June 1, 2007. Crystal Elam, Bookkeeper, was entitled to \$7,000 salary for the period June 1, 2007 through December 31, 2007, based on the rate of compensation approved by the Board. Crystal Elam was paid \$8,000 resulting in excess salary payment in the amount of \$1,000.

The Board retroactively approved the increase in the Bookkeeper's salary in the amount of \$1,000 for the year 2007 at their February 24, 2009, Board meeting.

ADVANCE PAYMENT OF SALARY

Crystal Elam, Bookkeeper, was paid approximately one month in advance of services being rendered during the last seven (7) months of 2007.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Compensation paid to Board members was not reported to the Internal Revenue Service (IRS) and to the Indiana Department of Revenue on IRS Form W-2 and applicable payroll taxes were not withheld.

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 Special Districts, Chapter 10)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in the prior Report B29593.

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

Larry Stewart, Plant Operator, and Keith Penick, President of the Board, were compensated for doing various jobs for the District such as mowing the grass and electrical work. No written contracts for these services were presented for examination.

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 the prior Report B29593.

NO SALARY SCHEDULE

Approval of compensation paid to the Certified Operator and Bookkeeper were documented in the Board minutes but were not made part of a salary ordinance, resolution or salary schedule adopted by the Board.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in the prior Report B29593.

FAILURE TO FILE AN ANNUAL REPORT

The Annual Financial Report that is prescribed to report the District's financial information was not filed with the State Board of Accounts for calendar years 2006 and 2007.

IC 5-11-1-4 states in part, regarding financial reports: "The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. . . ., these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 15, 2009, with Keith L. Penick, President of the Board; Crystal F. Elam, Board Member/Bookkeeper; and Norman H. Supe, Board Member.