

B37168

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, 2008 to December 31, 2008



FILED
07/01/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda F. Elam Keith L. Penick	01-01-09 to 10-05-09 10-06-09 to 12-31-10
President of the Board	Keith L. Penick Shannon Burrows	01-01-09 to 10-05-09 10-06-09 to 12-31-10



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 January 1, 2008 to December 31, 2008. 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 present fairly, in all material respects, the financial information of the District for the year ended December 31, 2008, 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

May 19, 2010

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Operating	\$ 930	\$ 206,225	\$ 166,736	\$ 40,419
Bond and Interest	12,286	12,975	25,060	201
Debt Service Reserve	23,000	3,696	-	26,696
Construction	15,767	5	15,566	206
Totals	<u>\$ 51,983</u>	<u>\$ 222,901</u>	<u>\$ 207,362</u>	<u>\$ 67,522</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, 2008

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><u>\$ 1,069,942</u></u>

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Revenue bonds:		
1994 Sewage works revenue bond	\$ 348,000	\$ 25,270

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXAMINATION RESULTS AND COMMENTS

DEPOSITORY RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incomplete.

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."

A similar comment was reported in the prior Reports B29593 and B34194.

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 Reports B29593 and B34194.

FAILURE TO FILE AN ANNUAL REPORT

The Annual Financial Report (Form 15) that is prescribed to report the District's financial information was not filed with the State Board of Accounts for calendar year 2008.

For reporting periods prior to 2009, IC 5-11-1-4 stated in part:

"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."

CONTRACTS

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

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

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 Reports B29593 and B34194.

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 Reports B29593 and B34194.

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 accounts.

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 Reports B29593 and B34194.

ADJUSTMENTS TO CUSTOMER ACCOUNTS

Adjustments were made to customer accounts. Adjustments were 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)

A similar comment was reported in the prior Reports B29593 and B34194.

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 19, 2010, with the following officials:

Shannon Burrows, President of the Board
Keith L. Penick, Treasurer
Linda F. Elam, Board Member
Lynette McKinley