

B37743

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, 2008 to December 31, 2009



FILED
11/05/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|------------------------|-------------------|----------------------|
| Treasurer | Patricia Swavey | 11-10-09 to 12-31-10 |
| President of the Board | Russell Adair Jr. | 01-01-08 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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, 2008 to December 31, 2009. 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, 2008 and 2009, 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. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 13, 2010

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, 2008 And 2009

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Proprietary Funds: | | | | |
| Wastewater Operating | \$ 56,137 | \$ 326,075 | \$ 351,271 | \$ 30,941 |
| Wastewater Debt Service Reserve Account | 125,314 | 34,242 | 4,266 | 155,290 |
| Wastewater Cable Escrow | 12,600 | 3,251 | 15,851 | - |
| Wastewater Sinking Account | 76,369 | 207,972 | 200,451 | 83,890 |
| | <u>270,420</u> | <u>571,540</u> | <u>571,839</u> | <u>270,121</u> |
| Totals | <u>\$ 270,420</u> | <u>\$ 571,540</u> | <u>\$ 571,839</u> | <u>\$ 270,121</u> |

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|---|-------------------------------------|-------------------|-------------------|-------------------------------------|
| Proprietary Funds: | | | | |
| Wastewater Operating | \$ 30,941 | \$ 332,066 | \$ 350,773 | \$ 12,234 |
| Wastewater Debt Service Reserve Account | 155,290 | 41,202 | - | 196,492 |
| Wastewater Sinking Account | 83,890 | 200,764 | 200,332 | 84,322 |
| | <u>270,121</u> | <u>574,032</u> | <u>551,105</u> | <u>293,048</u> |
| Totals | <u>\$ 270,121</u> | <u>\$ 574,032</u> | <u>\$ 551,105</u> | <u>\$ 293,048</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 the following services: general administrative services and wastewater treatment.

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 LONG-TERM DEBT
 December 31, 2009

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: | | |
| State Revolving Fund Loan | <u>\$ 3,612,029</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 examination. Some meetings only have brief notes written on the agenda and we noted one meeting that had no minutes or notes. The board minutes that were provided did not have the signature of the attending board members, signifying their approval of the minutes recorded.

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 or IC 20-12-63-7."

MILEAGE REIMBURSEMENT

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

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, page 10-13)

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established. Specifically, phone charges, long distance charges, and copy fees were reimbursed without any documentation that these expenses had occurred. The Contracts presented do not specify the amount of reimbursement for phone, mileage or copy fees. Some claims did not list the work performed or the hours worked. On some claims it was not clear if the claim was for hours worked under contract or reimbursement of expenses.

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 Special Districts, Page 10-13)

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONFLICT OF INTEREST

Russell Adair Jr., Taylor Regional Waste District Board President, has a contract for lawn mowing services and a contract for plant maintenance services with the Regional Sewer District. A Uniform Conflict of Interest Disclosure Statement was completed; however, it does not appear to have been filed.

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 (2) of whose support is provided during a year by the public servant."

ADVANCE PAYMENTS

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services. The Regional Sewer District is pre-paying money into an escrow account at the County Recorder's office. When the District files liens or releases liens the charges for those transactions are taken from the Districts prepaid account. As the account balance gets low, the District remits additional money to the account.

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 District, page 10-6)

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

NO TREASURER APPOINTED

The Board for the Taylor Regional Sewer District terminated the Treasurer on April 10, 2007. No Treasurer was appointed until November 10, 2009. The District did not have proper approval for all transactions completed during the time April 10, 2007 to November 10, 2009, as a result of having no appointed treasurer.

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."

ERRORS ON CLAIMS

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

- (1) All claims did not have board approval.
- (2) Two claims did not have evidence to support receipt of goods or services.

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."

TAYLOR REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2010, with Patricia Swavey, Treasurer, and Russell Adair Jr., President of the Board. The officials concurred with our findings.