

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

EXAMINATION REPORT
OF

CLARK COUNTY SOLID WASTE
MANAGEMENT DISTRICT
CLARK COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
04/11/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Sharon M. Marra	01-01-08 to 04-09-09
	(Vacant)	04-10-09 to 07-19-09
	M. Luke Etheridge	07-20-09 to 12-31-11
Treasurer	Jeffrey L. Cox, CPA	01-01-08 to 12-31-11
President of the Board	Mike Moore	01-01-08 to 04-02-09
	Ron Grooms	04-03-09 to 12-31-10
	Les Young	01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE CLARK COUNTY SOLID WASTE
MANAGEMENT DISTRICT, CLARK COUNTY, INDIANA

We were engaged to examine the financial information presented herein of the Clark County Solid Waste 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.

District's management did not present all of the Board minutes for examination for the years 2008 and 2009.

Since management did not present all of Board minutes for examination, as discussed in the preceding paragraph, the scope of our examination was not sufficient to express, and we do not express, an opinion on the financial information.

STATE BOARD OF ACCOUNTS

February 16, 2011

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY 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
Governmental Funds:				
General	\$ 45,142	\$ 935,874	\$ 918,808	\$ 62,208
Nonreverting Capital	66,754	-	-	66,754
Fiduciary Fund:				
HHW Task Force Grant	54,073	2,930	43,825	13,178
Totals	<u>\$ 165,969</u>	<u>\$ 938,804</u>	<u>\$ 962,633</u>	<u>\$ 142,140</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 62,208	\$ 975,708	\$ 942,697	\$ 95,219
Nonreverting Capital	66,754	-	-	66,754
Fiduciary Fund:				
HHW Task Force Grant	13,178	100,000	110,000	3,178
Totals	<u>\$ 142,140</u>	<u>\$ 1,075,708</u>	<u>\$ 1,052,697</u>	<u>\$ 165,151</u>

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

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides sanitation 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. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. 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.

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 99,182
Machinery and equipment	<u>41,695</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 140,877</u>

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

Not all Board minutes were presented for examination for the years 2008 and 2009. (See Examination Result and Comment titled "Board Minutes Not Presented for Examination".) Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial information.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

BOARD MINUTES NOT PRESENTED FOR EXAMINATION

We requested District Officials to present the official Board minutes for our examination. The initial request was made on October 21, 2010, and we made follow up requests for the minutes during the course of the examination. The District did provide copies of unsigned minutes; however, eight months of unsigned minutes in the year 2008 and eight months of unsigned minutes in the year 2009 were not presented for examination.

IC 5-14-1.5-4(b) and (c) state the following:

"(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.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELINQUENT ACCOUNTS RECEIVABLE

The District bills for curbside recycling services one time per year in January with final payment due 90 days after the billing date. Total billings (including additional charges for late payment fees) for the year 2009 were \$1,015,319. Detail account balances for individual customers totaled \$2,412,304 at December 31, 2009, or 238% of billings for the year 2009.

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The original accounts receivable records presented for examination did not identify customer accounts that would have a low probability of collection. Unique Management Services, Inc., which provides certain collection services for the District, provided additional information at our request that classified the accounts receivable balances as follows:

Classification	Accounts Receivable 12-31-09	
Inactive accounts	\$ 472,080	(1)
Active accounts not in service	775,837	(2)
Active accounts in service	1,164,387	(3)
	\$ 2,412,304	

Notes to Schedule:

- (1) These accounts represent accounts that were billed in error, such as empty lots and apartment complex addresses that should not have been billed.
- (2) These accounts represent accounts that the District formerly billed in prior years; however; these accounts are no longer a part of the service areas of the curbside recycling program.
- (3) These accounts represent accounts that the District currently bills for participating in the curbside recycling program. This balance also includes a late payment fee that was charged on delinquent accounts. During the year 2009, the District billed \$140,358 in late payment fees.

Rob Klaus of Unique Management Services, Inc. stated that beginning in the year 2010 additional collection services were being performed. Rob Klaus further stated that these services could not be fully performed prior to January 1, 2010, because the database identifying the responsible property owners was out of date. Prior to January 1, 2010, some accounts were billed to tenants rather than property owners.

The Annual Curbside Statement (bill) states in regards to responsibility for an unpaid recycle bill that: "The property owner is responsible for their own and their tenants' unpaid recycle bills."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for County and City Hospitals, Chapter 1)

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

We recommend that accounts receivable records be maintained in a manner that will identify accounts that have a low probability of collection so that the fair value of accounts receivable at year end can be determined.

A similar comment was reported in prior Report B34329.

ACCOUNTS RECEIVABLE RECORDS

We noted the following variances between accounts receivable records:

1. A comparison of the accounts receivable balance reported on "Customer Aged A/R Report - Aging as of 12/31/09" with the accounts receivable balance reported on the "Billing Summary" report showed a variance of \$3,176.

Unique Management Services, Inc., which has been contracted to perform certain collection services, provided a detailed listing of accounts receivable at December 31, 2009. The accounts receivable reported by Unique Management Services Inc., showed an accounts receivable balance of \$2,412,304 at December 31, 2009. The accounts receivable reported on the "Billing Summary" at December 31, 2009, reported a balance of \$2,301,724 or a variance of \$110,580 with the detailed listing of accounts receivable.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

2. We performed an analysis of accounts receivable activity for the period November 30, 2009 to December 31, 2009. The purpose of the analysis was to determine whether the District's records identified all of the financial activity processed through accounts receivable from November 30, 2009 to December 31, 2009. Our analysis showed an unidentified reduction to accounts receivable in the amount of \$3,314 between the balances reported on the "Customer Aged A/R Report" at November 30, 2009, and December 31, 2009. The following is a detail of our analysis:

Reported accounts receivable, 11-30-09	\$ 2,333,786
Activity:	
Billings	-
Adjustments	(2,392)
Late Charges/Penalties	(3,158)
Collections/Payments	(11,250)
Calculated accounts receivable, 12-31-09	2,316,986
Reported accounts receivable, 12-31-09	2,313,672
Variance	\$ (3,314)

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

The computerized accounting system must maintain electronic audit trails sufficient to trace all transactions from original source of entry into the system, through all system processing, and to the results produced by the system. The audit trails must also maintain sufficient information to trace all transactions from the final results produced by the system, through all system processing, and to the original source of entry into the system. Audit trails must also identify the user that processed the transaction or updated the information. These audit trails must be protected from modification and deletion. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 11)

COMPUTER GENERATED FORMS

The District uses a computer program to generate its general ledger and payroll records. The accounting forms generated by the computer program have not been approved for use by the State Board of Accounts.

All governmental units are required by law to use the forms prescribed by the State Board of Accounts; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was reported in prior Reports B27526 and B34329.

OFFICIAL BOND FOR CONTROLLER

The Controller's official bond for the year 2010 was in the amount of \$20,000.

IC 5-4-1-18(d) states in part: ". . . a controller of a solid waste management district . . . shall file an individual surety bond in an amount: (1) fixed by the board of directors of the solid waste management district; and (2) that is at least thirty thousand dollars (\$30,000) in annual coverage."

CLARK COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2011, with Jeffery L. Cox, CPA, Treasurer; M. Luke Etheridge, Executive Director; and Les Young, President of the Board.