

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

EXAMINATION REPORT  
OF  
MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
ALLEN COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
05/23/2011



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OFFICIALS

Office

Official

Term

Office Manager/Office Clerk

Brookie Biglands

01-01-10 to 12-31-11

President of the Board

James Perrin  
Judy James

01-01-10 to 12-31-10  
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 MAYSVILLE REGIONAL WATER  
AND SEWER DISTRICT, ALLEN COUNTY, INDIANA

We have examined the financial information presented herein of the Maysville Regional Water and Sewer District (District), for the period of January 1, 2010 to December 31, 2010. 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 year ended December 31, 2010, 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

April 20, 2011

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY AND FIDUCIARY FUND TYPES  
As Of And For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Proprietary Funds:				
Water Utility:				
Operating	\$ 71,975	\$ 216,476	\$ 234,963	\$ 53,488
Bond and interest	-	53,270	53,270	-
Meter deposit	21,812	50	-	21,862
Reserve	54,000	-	-	54,000
<b>Total Water Utility</b>	<b>147,787</b>	<b>269,796</b>	<b>288,233</b>	<b>129,350</b>
Wastewater Utility:				
Operating	201,309	279,024	277,570	202,763
Bond and interest	-	97,639	97,639	-
Sinking Fund Bank of New York (BONY)	67,986	78,507	88,212	58,281
Debt Service Reserve BONY	65,823	19,133	-	84,956
Construction BONY	147	-	-	147
<b>Total Wastewater Utility</b>	<b>335,265</b>	<b>474,303</b>	<b>463,421</b>	<b>346,147</b>
Fiduciary Fund:				
Clearing account	148,892	58,986	5,617	202,261
<b>Totals</b>	<b>\$ 631,944</b>	<b>\$ 803,085</b>	<b>\$ 757,271</b>	<b>\$ 677,758</b>

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

MAYSVILLE REGIONAL WATER AND 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: water and wastewater.

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.

Note 4. Subsequent Event

A significant unpaid billing exists from the City of Fort Wayne. James Perrin, former President of the Board and Maintenance Operator, intentionally diverted wastewater flow around a meter to the City of Fort Wayne on a periodic basis from late 2007 to the end of 2010 (approximately 38 months).

The District sends all of its wastewater to the City of Fort Wayne. Maysville's monthly billing is based on volume that is measured by a flow meter. Mr. Perrin diverted the flow by using a bypass valve used for repairs. He monitored flow and would turn the valve off when it reached a certain point causing the flow to go through this bypass valve around the meter and then back into the line. This was done several times resulting in an estimated 38% to 44% (estimates obtained from City of Fort Wayne) of the total flow being diverted from the meter. Mr. Perrin stopped diverting the flow sometime in December 2010. We compared subsequent invoices for the service period of January 2011 through March 2011 to the same months in the prior year when flow was being diverted. We found the unobstructed billings to be an increase of \$4,100.05, \$6,592.34, and \$9,389.01 per month, respectively. As stated earlier, flow was diverted for 38 months which would result in a rough estimate of \$150,000 to \$250,000. The City of Fort Wayne is currently investigating this situation and coming up with a total estimated dollar amount of unbilled revenue and they may be billing Maysville Regional Water and Sewer District for this in the near future. District officials are cooperating with the City to resolve this issue. This is included as an Examination Result and Comment titled "Wastewater Flow Diversion to Fort Wayne".

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2010

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>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,500
Buildings	59,000
Improvements other than buildings	2,444,407
Machinery and equipment	<u>10,124</u>
Total Water Utility capital assets	<u>2,529,031</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	45,500
Buildings	129,000
Improvements other than buildings	3,424,381
Machinery and equipment	<u>45,024</u>
Total Wastewater Utility capital assets	<u>3,643,905</u>
Total business-type activities capital assets	<u>\$ 6,172,936</u>

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds of 1995	\$ 741,000	\$ 53,903
Wastewater Utility:		
Loans payable:		
State Revolving Fund Loan	1,110,000	87,547
Total business-type activities debt:	<u>\$ 1,851,000</u>	<u>\$ 141,450</u>

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

BOARD MEETINGS AND MINUTES

The District discontinued the required notice of public meetings after March 2010. The District's meetings are public meetings and public notice is required.

Also, The District's minutes were recorded by hand and then retyped by James Perrin, former President of the Board and Maintenance Operator. He was also the only person who signed them. During the audit it was discovered that some items in the minutes were false, such as the approval for him to personally purchase a pump for \$7,900.00 and then be reimbursed by the District. We also have been told that some meetings for which there were minutes did not occur. Minutes should accurately reflect District matters discussed and decided. The minutes should be recorded by the Board Secretary and then signed by the Board President.

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

"(a) Public notice of the date, time, and place of any meetings, executive sessions, or of any rescheduled or reconvened meeting, shall be given at least forty-eight (48) hours (excluding Saturdays, Sundays, and legal holidays) before the meeting. This requirement does not apply to reconvened meetings (not including executive sessions) where announcement of the date, time, and place of the reconvened meeting is made at the original meeting and recorded in the memoranda and minutes thereof, and there is no change in the agenda.

(b) Public notice shall be given by the governing body of a public agency by:

- (1) posting a copy of the notice at the principal office of the public agency holding the meeting or, if no such office exists, at the building where the meeting is to be held; and
- (2) delivering notice to all news media which deliver by January 1 an annual written request for such notices for the next succeeding calendar year to the governing body of the public agency. The governing body shall give notice by one (1) of the following methods:
  - (A) Depositing the notice in the United States mail with postage prepaid.
  - (B) Transmitting the notice by electronic mail.
  - (C) Transmitting the notice by facsimile (fax)."

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."

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CONFLICT OF INTEREST

James Perrin held the positions of President of the Board and Maintenance Operator at the Maysville Regional Water and Sewer District until December 31, 2010. A Uniform Conflict of Interest Disclosure Statement was not filed until December 20, 2010. Mr. Perrin held the positions of Board member and Maintenance Operator at the Maysville Regional Water and Sewer District from January 1, 2011 until February 19, 2011. Mr. Perrin resigned as Board member effective February 19, 2011. A similar comment was included in prior Report B38204.

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."

OFFICIAL BONDS

The District did not have any Official Bond in effect for officers, trustees, or employees having power to dispense money of the district. This was also noted in the prior Report B38204.

Regarding the Indiana Department of Environmental Management (IDEM) order creating a regional district, IC 13-26-2-10 states in part:

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(b) An order must do the following: . . .

- (2) Provide requirements for sufficient bond for all officers, trustees, or employees having power to dispense money of the district."

The IDEM Order dated December 4, 1974, states under Item 5.) "That the Board of Trustees shall provide sufficient bond for all officers, trustees, or employees who have any power to dispense funds of the district. Said bond, as a minimum, shall be in an amount equal to, plus 10% of, those funds anticipated to be received by the district during the fiscal year of the district, divided by six, which amount shall be determined annually by the Board of Trustees"

### CONDITION OF RECORDS

During review of the unit's records we found the following deficiencies that were also noted in the prior Report B38204:

The Account Structure of the District's records does not comply with the chart of accounts and accounting system prescribed by the State Board of Accounts. The Maysville Regional Water and Sewer District should follow the chart of accounts for Class C utilities, or cash basis method of accounting.

The District's records are a hybrid of cash and accrual basis and do not actually balance. The assets do not equal the liabilities and equity; therefore, the debits do not equal the credits. The bank reconciliements performed by the District only reconcile to the cash accounts in the general ledger. The bank reconciliation process being performed does not mean that the District's records as a whole are in balance, which they are not.

We noted that the District is using a "clearing account" which is actually the main checking account through which most transactions run. It contains Water, Sewer, and Payroll transactions and balances. It does not, however, "clear out". At the end of the year, there is an equity balance.

The Water Utility should have separate funds for Operating, Bond and Interest, Customer Deposits, and Debt Service Reserve. These separate funds are necessary to comply with the Water Utility Bond Ordinance for the 1995 Bonds.

The Wastewater Utility should have separate funds for Operating, Bond and Interest, Debt Service Reserve and Construction. Some of these accounts are actually held at the Bank of New York in trust accounts. These trust accounts are for the State Revolving Fund (SRF) debt and construction transactions. The District's general ledger does not include these transactions and balances from the Bank of New York trust accounts and are therefore not a complete representation of the District's cash balance and transactions. These separate funds are necessary to comply with the Wastewater Utility bond ordinance.

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)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

IC 13-26-7-1 states: "Each district must keep proper records showing the district's finances." The District is encouraged to use the chart of accounts and accounting system prescribed by the State Board of Accounts for use by municipal utilities as outlined in Chapter 23 of this manual. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 2)

PRESCRIBED FORM

The following prescribed or approved form was not always in use. This was also mentioned in prior Reports B34007 and B38204.

Guarantee Deposit Register, Form 314

Also, the software system generated reports currently in use by the District were not approved by the State Board of Accounts.

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, Chapter 10)

DISBURSEMENT DEFICIENCIES

The following deficiencies were found during the review of disbursements. There was a similar comment in prior Report B38204.

1. There were numerous disbursements made from statements instead of original invoices especially when items were purchased on a credit card. Paying from statements also resulted in several double payments being made to one vendor.
2. Several late fees were paid on credit cards.

IC 5-11-10-1.6(c) states:

"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;

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and warrant or check for payment of a claim unless invoice or bill is true and correct; and . . ."

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

PENALTIES, INTEREST, AND OTHER CHARGES

The District paid \$852 in penalties and interest to the Internal Revenue Service on April 21, 2010, for the period ended September 30, 2009, for late payment of Federal Employment Tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

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)

TRAVEL POLICY AND MILEAGE

The District needs to adopt a travel policy, including a mileage reimbursement rate. Employees should be reimbursed for mileage on personal vehicles by filing a Mileage Claim, General Form 101.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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, Chapter 10)

CAPITALIZATION POLICY

Although the District keeps a capital asset ledger, a capitalization policy has not been formally approved by the District Board.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DEPOSITS

We noted instances where receipts were deposited later than the next business day. This was also noted in the prior Report B38204.

IC 5-13-6-1(c) states:

"Except as provided in subsection (d), all local officers, except township trustees, who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the several local boards of finance that have jurisdiction of the funds. The public funds collected by township trustees shall be deposited in the designated depository on or before the first and fifteenth day of each month. Public funds deposited under this subsection shall be deposited in the same form in which they were received."

ACCOUNTS RECEIVABLE CONTROL

The general ledger accounts receivable balance (control) did not agree with the aging report (detail), at December 31, 2010. This was also noted in the prior Reports B34007 and B38204.

When utility records are kept on a cash or single-entry basis, a separate control account should be carried on General Ledger Sheet, General Form No. 315, in the front of the Consumer's Ledger. This account will be debited with the total monthly billing to all customers for utility services including penalties and sales tax. This account will be credited with the total accounts receivable collections, penalties and sales tax shown by the Register of Daily Cash Receipts-Consumers.

When utility records are kept on an accrual or double-entry basis the Accounts Receivable account in the General Ledger serves as a control of all individual accounts in the Consumer's Ledger and the foregoing procedure would not be applicable. (Accounting an Uniform Compliance Guidelines Manual for Special Districts, Chapter 22)

REIMBURSEMENT OF FICTITIOUS CLAIM

On February 15, 2008, the District reimbursed James Perrin, former President of the Board and Maintenance Operator, \$7,900.00 for a used sewer bypass pump that he claimed he personally had purchased for the District from an auction. The supporting documentation was a photocopied claim that contained some handwritten figures and text in various fonts. This claim was approved on the Voucher Register and also in the Board minutes. In prior Report B38204, covering audit period January 1, 2008 to December 31, 2009, we commented that this was not a proper business practice. This was brought to the attention of the District officials at the exit conference. At the exit conference, James Perrin stated that this pump only worked for a few months until another new pump was purchased and this pump was thrown away. In February 2011, Mr. Perrin admitted in writing that this claim was fictitious. It was also found that the Board minutes were falsified.

On February 25, 2011, the District received repayment of this amount from James Perrin, former President of the Board and Maintenance Operator, including interest of \$1,600.00 for a total of \$9,500.00. Mr. Perrin requested to be charged this interest. (See Summary, page 23)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PERSONAL EXPENSES

James Perrin, former President of the Board and Maintenance Operator, made several purchases which we consider to be personal in nature, as follows:

1. Bobcat Accessories: Bobcat accessories were purchased by the District. The District does not own a bobcat; however, Mr. Perrin does personally own a bobcat. He loaned the bobcat to the District on a few occasions. Purchases of bobcat accessories totaling \$4,241.92 were made for tires, parts, a tiller attachment, and forks. These items are of no use to the District without the bobcat.
2. Office Equipment: Mr. Perrin also purchased office equipment that has never been on hand at the District office. A laptop computer was purchased in 2008 for \$1,391.95. An additional laptop was purchased in 2010 which was claimed to have been used to monitor District wastewater flow. Mr. Perrin stated that the 2008 laptop burned up and he threw it away. An extended warranty was purchased for this laptop and repairs would have been covered under warranty.
3. Tools and Parts: Miscellaneous tools and part, at a total cost of \$569.88, were purchased by Mr. Perrin from hardware stores, auctions, and other vendors. These items are not on hand at the District. The items include a five ton reversible pull, a large spotlight, and numerous other tools such as pliers, sockets, wrenches, etc. Finally, air compressor parts of \$76.52 and trailer accessories of \$305.90 were purchased, even though the District does not own an air compressor or trailer.
4. Winch: A twelve volt winch was purchased for \$702.24 which was not on hand at the District.
5. Wood Cutting Tools and Supplies: A chain saw, nine chains, two bars, and three gallons of oil were purchased by the District totaling \$508.52. These items are not on hand and the District does not own any property with significant trees.
6. Flat Tire Repair Foam: Eleven cans of Fix-A-Flat tire repair foam were purchased totaling \$69.47. The only equipment the District owns with tires is a used pickup truck. New tires for the truck were purchased on September 15, 2008.

James Perrin, former President of the Board and Maintenance Operator, was requested to reimburse \$7,866.40 to the Maysville Regional Water and Sewer District. (See Summary, page 23)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

WASTEWATER FLOW DIVERSION TO FORT WAYNE

James Perrin, former President of the Board and Maintenance Operator, intentionally diverted wastewater flow around a meter to the City of Fort Wayne on a periodic basis from late 2007 to the end of 2010 (approximately 38 months).

The District sends all of its wastewater to the City of Fort Wayne. Maysville's monthly billing is based on volume that is measured by a flow meter. Mr. Perrin diverted the flow by using a bypass valve used for repairs. He monitored flow and would turn the valve off when it reached a certain point causing the flow to go through this bypass valve around the meter and then back into the line. This was done several times resulting in an estimated 38% to 44% (estimates obtained from City of Fort Wayne) of the total flow being diverted from the meter. Mr. Perrin stopped diverting the flow sometime in December 2010. We compared subsequent invoices for the service period of January 2011 through March 2011 to the same months in the prior year when flow was being diverted. We found the unobstructed billings to be an increase of \$4,100.05, \$6,592.34, and \$9,389.01 per month, respectively. As stated earlier, flow was diverted for 38 months which would result in a rough estimate of \$150,000 to \$250,000. The City of Fort Wayne is currently investigating this situation and coming up with a total estimated dollar amount of unbilled revenue and they may be billing Maysville Regional Water and Sewer District for this in the near future. District officials are cooperating with the City to resolve this issue.

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or nonfeasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EXCESSIVE OR UNREASONABLE COSTS

James Perrin, former President of the Board and Maintenance Operator, made several excessive or unreasonable purchases during the period of January 1, 2006 to December 31, 2010.

These purchases do not appear to be in line with the reasonable needs of a Water and Sewer District or they appear to be excessive in nature. Some of the excessiveness of the tools and equipment purchases may be due to the fact that many items had to be repurchased because of the lack of organization by Mr. Perrin. When we inspected the shops at the Maysville Main Office and at the Thimlar Road Lift Station they were extremely disorganized with items strewn around and unkempt. Many of the tools and equipment purchases below were not on hand at either location. Mr. Perrin has brought back some items on this list per our request.

There are several items on the following list that are also included in the Examination Result and Comment entitled "Personal Expenses".

Gasoline Purchases (From 2006 to 2010):

2006	\$ 988.24
2007	6,595.09
2008	7,863.02
2009	4,131.07
2010	4,659.55

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Tools and Equipment Purchases (From 2006 to 2010):

Camera – Digital Cybershot	1	2 Year Warranty on Camera	
Laptop – Toshiba	1	3 Year Warranty on Laptop	
Various Software Packages for Laptop		Laptop – Toshiba T115D-S1120	1
Bobcat Tires	2	Bobcat Forks and Frame (Set)	1
Bobcat Tiller Attachment	1	Starter Fluid – Diesel	1
Fuel Additive – Diesel	1	Oil, Oil Filer & Air Filter	3
Hydraulic Hose Ends	2	Welding Tote Kit with Tanks	1
Brazing Rods	3	Winch – 9.5E-12V	1
Heavy Duty Tow Straps 30 ft	2	Trailer Pintle Hook / Trailer Hook (set)	1
Trailer Lights – Red	2	Trailer Lights – Yellow	2
Trailer Light Round	1	Chain Saw	1
Chain Saw Chains	9	Chain Saw Bars	2
Chain Saw Oil (Gal.)	3	Air Chuck Clip	1
Impact Socket Set 14pc – Metric	1	Air Line Regulator	1
Cordless Drill	1	½" Drill	1
¾" Drill	1	½ Speed Drive	1
Drill Pilot	5	Drill Bit Set (13 pc)	1
Drill Bit Set (21 pc)	1	Drill Bit Set (8 pc)	1
Drill Bits	Numerous	Titanium Bits	4
Masonry Bit	1	Screw Bit	1
Spade Bit	1	Turbomax Bit	1
Finder and Driver with Bits	1	Spline Shank Core Bit	1
Split Point Bit	1	Unibit Step Drill Set	1
Chuck Key	2	Heavy Duty Staple Gun	1
Heavy Duty Staples	1	7¼" Power Saw	1
Circular Saw	1	Circular Saw Blade	1
Hole Saw	6	Reciprocating Saw Blades	4
Hand Saw	1	Drywall Saw	2
Hacksaw Frames	3	Hacksaw Blades	2
6 Pc Screwdriver Set	1	Screwdriver Set	1
Phillips Screwdriver	1	Hammer	3
Ball Peen Hammer	1	Hammer 40oz	1
Vice Grips (various sizes)	5	Hex Key Metric	1
Hex Key Set 18 pc	1	Hex Key T Handle Set 8pc	1
Allen Wrench	2	Com Wrench 1", 1 ¼", 1 ½"	3
Wrench Set ¾ to 7/8	1	Wrench Set 7/16 to 7/8	1
Box End Wrench 15/16-1"	1	Box Wrench ½ - 1"	1
Pipe Wrench 8" to 18"	5	Tap Wrench - T handled	1
Crescent (6, 10, 12)	3	Breaker Bar 2¼" to 2¾"	1
Wonder Pry Bar	1	Pry Bar 5'	1
Breaker Bar ½"	1	½" Socket Set	1
½" Socket (L) 1 ¾" (W)1 ½"	1	½" Socket (L) 3 ½" (W) 32mm	1
¾" Socket Set	1	Deep Well Socket Set ½"	1
Deep Well Socket Set ¾"	1	Pliers (various)	6
Channel Lock Pliers	1	Ratchet	2
Left Offset Snip	1	Tin Snip	3
Wire Crimping Tool	1	Punch Set 5 Pc	1
Awl	1	Coal Chisel	1
Wire Brushes	2	Tape Measures	4

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Magnifying Glass Set	2	Reversible Gear Puller - 5 Ton	1
Grease Gun & 14 Grease Cans	1	Caulk Gun	1
Funnels	5	Fix-a-Flat Cans	11
Safety Glasses	8	Instrument Light Bulbs	30
Extension Cord (100 ft)	2	Tarps – Medium Duty	4
Garden Tractor Battery	1	Portable Heaters	4
Clamp Light	3	Power Sport Battery	1
Spotlight – 2,000,000 Candle	1	Heat Lamp	1
Generator – 5500 watt	1	Lantern (Battery)	2
Generator - Honda EU200I	1	Gas Cans – 5 Gallon	11
Gas Cans – 1.25 Gallon	2	Kerosene Can	1
Rakes	6	Brooms	4
Hoe	1	Pick handle	1
Spade	1	Hedge Shear	1
Sprayer	2	Shovel	1

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting Uniform and Compliance Guidelines Manual for Special Districts, Chapter 10)

LACK OF INVENTORY

During the last examination, the unit prepared a Capital Asset Ledger, however a physical inventory of District assets has not been performed nor has a capitalization threshold policy been established. We physically observed that some assets purchased with District funds were not on hand, such as a bypass pump, Bobcat forks, winch, chain saw, computer laptop, etc. We also observed that there were assets on hand that were not included on an asset ledger or an inventory list, such as a welder and torch set, several pumps, generators, etc.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines for Special Districts, Chapter 10)

CRIME INSURANCE

James Perrin, former President of the Board and Maintenance Operator, is covered under a Crime Insurance Policy rather than an Official Bond.

Named Insured:	Maysville Regional Water and Sewer District
Company Name:	ARCH Insurance Company
Policy Type:	Crime Coverage
Amount:	\$100,000 Blanket Limit
Policy Term:	03-27-10 to 03-27-11 03-27-09 to 03-27-10 03-27-08 to 03-27-09 03-27-07 to 03-27-08
Policy Number:	GWPKG0108702 GWPKG0108701 GWPKG0108700 SDISSP 9151315

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ADDITIONAL AUDIT COSTS

The State of Indiana has incurred additional audit fees in the investigation of the Maysville Regional Water and Sewer District's records. The State of Indiana is requesting reimbursement of audit fees incurred in the amount of \$9,281.32.

James Perrin, former President of the Board and Maintenance Operator, was requested to reimburse \$9,281.32 to the Maysville Regional Water and Sewer District. (See Summary, page 23)

Audit costs incurred because of theft and shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on April 20, 2011, with James Perrin, Maintenance Operator; Judy James, President of the Board; William D. McAlexander, District Board member; Jody Amstutz, District Board member; and Brookie Biglands, Office Manager/Office Clerk. The official response has been made a part of this report and may be found on pages 20 through 22.

**MAYSVILLE REGIONAL WATER & SEWER DISTRICT**  
**P.O. Box 413**  
**Harlan, Indiana 46743**

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April 29, 2011

Indiana State Board of Accounts  
Room E 418  
302 West Washington Street  
Indianapolis, IN 46204-2765

RE: Maysville Regional Water and Sewer District Audit for 2010

This letter is a response to the Examination Results and Comments prepared by the Indiana State Board of Accounts following the audit of the Maysville Regional Water and Sewer District and presented to the Board of Trustees on April 20, 2011.

BOARD MEETINGS AND MINUTES

**Comment:** "The District discontinued the required notice of public meetings after March 2010."

**Response:** This oversight is being corrected by a notice at the office, and will be published in the local newspaper.

**Comment:** "Also, The District's minutes were recorded by hand and then retyped by James Perrin, former Board President and Maintenance Operator..."

**Response:** The minutes of the Board meetings are now being taken and written by the Board Secretary, presented at the next meeting, and approved or corrected by a vote of the Board members.

CONFLICT OF INTEREST

**Comments:** "James Perrin held the following two positions at the (District) until December 31, 2010, the Board President and Maintenance Operator." "A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed."

**Response:** Mr. Perrin's Uniform Conflict of Interest Disclosure Statement DOES appear to have been filed on November 29, 2010. In addition, in the future, all Board members will be filing Conflict of Interest Statements.

## OFFICIAL BONDS

**Comment:** "The District did not have any Official Bond in effect for officers, trustees, or employees having power to dispense money of the district."

**Response:** The Board members in office during 2010, and for several years before that time, were acting with the understanding that the District's crime insurance policy covered the bonding issue. In fact, there had been SBOA audits during that time without any mention of the bonding issue until it was noted in the prior audit report No. 38204. After audit 38204, the Board attempted to bond its employees, but the coverage was declined due to the number of items in that audit report. The Board's intent was and is now to bring the District into compliance with the SBOA, and then apply for bonding again.

## CONDITION OF RECORDS

**Comment:** "The Account Structure of the District's records does not comply with the chart of accounts and accounting system prescribed by the State Board of Accounts."

**Response:** The Board concurs with the SBOA's statement in this regard. Our accounting software comes from United Systems, and they are currently working on solutions to allow us to comply with the prescribed system.

## DISBURSEMENT DEFICIENCIES

**Comment:** "There were numerous disbursements made from statements instead of original invoices especially when items were purchased on a credit card."

**Response:** The Board agrees that this was happening at an earlier time. However, policies have now been established to ensure that original invoices are required for all payments.

## TRAVEL POLICY AND MILEAGE

**Comment:** "The District needs to adopt a travel policy..."

**Response:** The Board is currently working to develop this policy.

## CAPITALIZATION POLICY

**Comment:** "Although the District keeps a capital asset ledger, an capitalization policy of what dollar amount threshold will be included in that ledger has not been formally approved by the District Board."

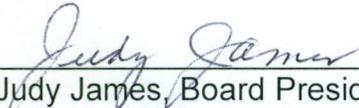
**Response:** The Board is currently working to develop this policy.

ACCOUNTS RECEIVABLE CONTROL

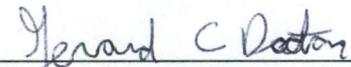
**Comment:** "The general ledger accounts receivable balance (control) did not agree with the aging report (detail) at December 31, 2010."

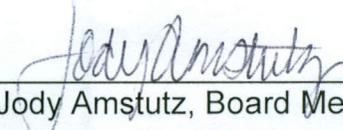
**Response:** The Board concurs, and we believe that this will be corrected at such time as United Systems has our software adapted to comply with the prescribed accounting system.

Respectfully submitted,

  
\_\_\_\_\_  
Judy James, Board President

  
\_\_\_\_\_  
Dale McAlexander, Board Secretary

  
\_\_\_\_\_  
Gerard Doctor, Board Member

  
\_\_\_\_\_  
Jody Amstutz, Board Member

RECEIVED  
MAY 04 2011  
STATE BOARD OF ACCOUNTS

Allen, Co.

MAYSVILLE REGIONAL WATER AND SEWER DISTRICT  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
James Perrin, former President of the Board and Maintenance Operator:			
Reimbursement of Fictitious Claim, pages 13 and 14	\$ 9,500.00	\$	\$
Repaid by James Perrin on February 25, 2011, Receipt 117		9,500.00	-
Personal Expenses, page 14	7,866.40		
Additional Audit Costs, page 18	9,281.32		
Repaid by James Perrin on April 26, 2011, Receipt 120		<u>17,147.72</u>	<u>-</u>
Totals	<u>\$ 26,647.72</u>	<u>\$ 26,647.72</u>	<u>\$ -</u>