

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
BLACKFORD COUNTY, INDIANA
January 1, 2009 to December 31, 2011



FILED
06/27/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Linda Briles Sheila M. Hyer	01-01-09 to 12-31-11 01-01-12 to 12-31-12
President of the Board of Trustees	Thomas Armstrong John A. Lancaster	01-01-09 to 12-31-11 01-01-12 to 12-31-12



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE JACKSON TOWNSHIP REGIONAL
SEWER DISTRICT, BLACKFORD COUNTY, INDIANA

We were engaged to examine the financial information of the Jackson Township Regional Sewer District (District), for the period of January 1, 2009 to December 31, 2011. The District's management is responsible for the financial information.

The District did not provide accounting records. The District's records do not permit the application of other examination procedures to ascertain if the financial information is fairly stated.

Since the District did not provide accounting records and we were not able to apply other examination procedures to satisfy ourselves as to whether the financial information is fairly stated, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information.

This report is intended solely for the information and use of the District's management, Board of Trustees, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 3, 2012

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
 FINANCIAL INFORMATION
 December 31, 2009, 2010, and 2011

	Cash and Investments 12-31-09	Cash and Investments 12-31-10	Cash and Investments 12-31-11
Operating Fund	<u>\$ 21,240</u>	<u>\$ 8,887</u>	<u>\$ 1,820</u>

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The ledgers of receipts, disbursements, and balances for the years 2009, 2010, and 2011 were not presented for examination. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial information for the examination period.

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)

ANNUAL FINANCIAL REPORTS

The District did not prepare annual financial reports for 2009, 2010, and 2011. A similar comment appeared in prior Report B35422.

Indiana Code 5-11-1-4 (a) states:

"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 sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

DEPOSITS

Bank deposits were made on only 9 days in 2009, 7 days in 2010, and 12 days in 2011. On some of these days, more than 1 deposit was made. Collections were held for as long as three months prior to their deposit. A similar comment appeared in prior Report B35422.

Indiana Code 5-13-6-1(c) states in part: "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 . . ."

BOARD MINUTES

No minutes of the District Board meetings for 2009, 2010, and 2011 were available for examination, except for the meeting held on March 29, 2011. A similar comment appeared in prior Report B35422.

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

CAPITAL ASSET RECORDS

The District does not maintain capital asset records. A similar comment appeared in prior Report B35422.

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. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONDITION OF RECORDS

A record of receipts, disbursements and balances was not maintained for 2009, 2010, and 2011.

The following prescribed forms were not in use, nor were any other forms substituted for them:

Utility Form 301S, Municipal Sewage Utility Accounts Payable Voucher
Utility Form 323, Simplified Cash Journal - Municipal Sewage Utility
Utility Form 324, Consumer's Ledger - Municipal Sewage Utility

A similar comment appeared in prior Report B35422.

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)

BANK RECONCILEMENTS

Since no ledgers were maintained, no bank reconciliements were prepared.

Indiana Code 5-13-6-1(e) states in part: "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."

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CLAIMS

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

1. Over 40 percent of checks issued, representing payments totaling \$20,049, were not supported by invoices, receipts, or other such documentation. Included in these undocumented invoices were payments of \$200 a month to the Bookkeeper.
2. There was no evidence that claims were audited or certified by the Bookkeeper or the Treasurer.
3. There was no evidence that claims were allowed by the District Board.

A similar comment appeared in prior Report B35422.

Indiana Code 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."

LATE FEES

Late fees totaling \$91.23 were paid on the District's electric bills during the examination period.

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.

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. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALES TAX

A total of \$371.49 in sales tax was paid on the District's electric bills during the examination period.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADVANCE PAYMENTS

Lauri Carfield, Bookkeeper, received her \$200 payment for the month ending June 30, 2009, on May 12, 2009. Cristi Aulbach, Bookkeeper, received her \$200 payment for the month ending September 30, 2011, on August 22, 2011.

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)

COLLECTION OF AMOUNT DUE

The District received a notice from the Indiana Department of Revenue stating that the District owed \$565.04, including penalties and interest, for sales tax collected but not remitted. The notice also threatened various actions, including imprisonment and monetary fines against District officers, if the bill was not paid. The District paid the \$565.04 on August 5, 2011, even though it does not and should not collect sales tax. The District should contact the Indiana Department of Revenue for a refund of this payment.

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DELINQUENT ACCOUNTS RECEIVABLE

Ordinance 2000-2 established a late payment charge for customers: "If a net bill is not paid within seventeen (17) days after the bill is mailed, it shall become a delinquent bill and a late payment charge will be added in the amount of ten percent (10%)." No penalties were collected in 2011, despite several bills not being paid within seventeen (17) days after the bill was mailed.

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 10)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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 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; and
 - (C) The amount of the delinquent fees, together with the penalty; or
- (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. . . ."

INTERNAL CONTROLS

The District Board of Trustees did not provide sufficient management oversight with regard to the accounting functions of the District. There is no indication that the Board reviewed or approved claims, inquired about the existence of accounting records, or required the improvement or correction of any of the "Examination Results and Comments" contained in the prior report.

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.

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)

JACKSON TOWNSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 3, 2012, with Sheila M. Hyer, Treasurer, and John A. Lancaster, President of the Board of Trustees. The officials concurred with our findings.