

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

EXAMINATION REPORT
OF
EVERTON REGIONAL SEWER DISTRICT
FAYETTE COUNTY, INDIANA
January 1, 2003 to December 31, 2005



FILED
12/29/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Duane Brandenburg	01-01-03 to 12-31-06
President of the Board	Tom Fledderman	01-01-03 to 12-31-06



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STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EVERTON REGIONAL SEWER DISTRICT, FAYETTE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Everton Regional Sewer District (District), for the period of January 1, 2003 to December 31, 2005. The District's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances 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 schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

December 7, 2006

EVERTON REGIONAL SEWER DISTRICT
 SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 ALL GOVERNMENTAL FUND TYPES
 As Of And For The Years Ended December 31, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
Operating	\$ 101,499	\$ 262,008	\$ 295,575	\$ 67,932
Bond and interest	57,877	109,798	109,994	57,681
Debt service reserve	83,659	11,000	-	94,659
Totals	<u>\$ 243,035</u>	<u>\$ 382,806</u>	<u>\$ 405,569</u>	<u>\$ 220,272</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
Operating	\$ 67,932	\$ 275,777	\$ 290,948	\$ 52,761
Bond and interest	57,681	109,798	109,921	57,558
Debt service reserve	94,659	11,000	-	105,659
Totals	<u>\$ 220,272</u>	<u>\$ 396,575</u>	<u>\$ 400,869</u>	<u>\$ 215,978</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
Operating	\$ 52,761	\$ 337,158	\$ 294,675	\$ 95,244
Bond and interest	57,558	109,798	109,800	57,556
Debt service reserve	105,659	11,000	-	116,659
Totals	<u>\$ 215,978</u>	<u>\$ 457,956</u>	<u>\$ 404,475</u>	<u>\$ 269,459</u>

The accompanying notes are an integral part of the schedules.

EVERTON REGIONAL SEWER DISTRICT
NOTES TO SCHEDULES

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: wastewater collection and transmission, and general administrative 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 prepared and approved at the local level.

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.

Note 5. Long-Term Debt

The District has issued revenue bonds for the installation of the collection lines. The outstanding principal at December 31, 2005, was \$1,738,000.

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

UNDOCUMENTED EXPENSES

Numerous payments were made during the examination period which was not supported by adequate documentation. These payments related to services provided by individual board members. Due to the lack of supporting information, the validity and accountability for the following payments could not be established:

Board Member	Amount of Undocumented Payments Received
Tom Fledderman, President	\$ 37,999
Duane Brandenburg	5,550
Ron Conrad	150
Judy Pflum	4,450
Tim Rose	300
Kenny Weishelt	250
Gale Hornsby	50
Sam Harvey	100
Total Undocumented Expenses	\$ 48,849

The District was instructed in the prior report that board members had to be paid according to Indiana Code 13-26-4-7. This statute states that: "the board of a district may provide for the payment of not more than fifty (\$50) per day to members of the board for each day or major part of the day devoted to the work of the district." This statute requires the individual board members to document the days and the hours worked as well as the services provided in order to be compensated. The claims submitted by Tom Fledderman have no supporting documentation and only stated "services." There were no dates of service, duties performed or hours worked documented on any of the claims.

All of the above mentioned claims were issued as vendor claims and, therefore, would be subject to Indiana Code 5-11-10-1.6 (c) which states in part: "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 or 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 or correct. . . ." Indiana Code 5-11-10-3 states: "A person who knowingly violates section 1 of this chapter commits a Class D felony."

Supporting documentation such as a time card or a time sheet must be available for audit to provide supporting information for the validity and accountability of monies disbursed for services. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

COMPUTER OUTPUT

Access to records and information generated by the computer system was limited because five of the monthly Cash Collection Reports and five of the monthly Billing Summary Reports were not presented for examination. This condition made it impossible to determine if the actual monies collected had been deposited in the bank.

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Public records, financial statement information and supporting information generated through a computer system should be printed out on paper, printed to disk or maintained on-line at the end of each reporting year and retained for examination. Information must be maintained in a manner that will allow access for examination and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 11)

Indiana Code 5-15-6-3(d) states: "No financial record or records relating thereto shall be destroyed until the earlier of the following actions:

- (1) The audit of the records by the State Board of Accounts has been completed, report filed, and any exceptions set out in the report satisfied.
- (2) The financial record or records have been copied or reproduced as described in subsection (e)."

CONDITION OF RECORDS - ACCOUNTS RECEIVABLE

Financial records presented for examination that support the accounts receivable activity were incomplete. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. The District did not reconcile the accounts receivable balance during the entire examination period. The printouts, provided by the third-party billing company, detailing the accounts receivable activity during the examination period were incomplete.

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)

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)

PAYROLL DEDUCTIONS

Payments made to board members for services performed are considered compensation. The officials were instructed in the prior examination report to withhold the appropriate taxes from compensation. However, the Board did not comply with withholding requirements and continued to disburse a total of \$63,229 in compensation without withholding the required taxes. The officials are being instructed again to comply with federal and state tax laws.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Non-compliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during the examination period:

1. Funds moved from the certificates of deposits to cash were posted as operating revenues.
2. Interest earned on the certificates of deposits was not posted during the entire examination period.
3. Operating revenue was posted without a breakdown of revenue type, such as, sewer fees, penalties, and other revenue.
4. A receipt from the State Auditor for Disaster Assistance was included in sewer collections in July of 2005.

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)

DEPOSITS

The District contracts with the Everton Water Company to prepare billings and to collect payments. The water company accepts payments at their office and then remits the sewer collections once per month directly into the District's bank account. The Everton Water Company prepares a Cash Summary Report, detailing the cash collected and how it has been applied to the individual customer accounts. However, during the entire examination period the cash deposited in the District's bank account has never been reconciled to the Cash Summary Report. Thus, the District cannot determine whether the amount deposited agrees with the amount collected.

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)

INVESTMENTS IN CERTIFICATES OF DEPOSIT

The District purchased several certificates of deposits during the examination period; however, no record of quotes taken for investment in certificates of deposit was available for examination.

Indiana Code 5-13-9-4(b) states: "The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under Indiana Code 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

EVERTON REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use or not used as required:

1. Although verbally instructed to do so during the prior examination, the district officials are still not using the required Checks, Form 353. The unit is using bank checks which are not prepared in duplicate.
2. The district is not using the Simplified Cash Journal as required; columns are not totaled per item at month end or year end.

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)

PRE-SIGNING DOCUMENTS

Several checks were pre-signed by the Treasurer, Duane Brandenburg, and given to Judy Pflum, Secretary, to be used for purchases such as postage, office supplies and filing of delinquent liens at the county courthouse.

Checks should not be signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EVERTON REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 7, 2006, with Tom Fledderman, President of the Board; Ron Conrad, Vice-President; and Duane Brandenburg, Treasurer.