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

EXAMINATION REPORT

OF

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT

SWITZERLAND COUNTY, INDIANA

January 1, 2004 to December 31, 2005

FILED
02/28/2007

TABLE OF CONTENTS

OFFICIALS

Office	Official	Term
Treasurer	Linda F. Elam	01-01-04 to 12-31-07
President of the Board	Keith Penick	01-01-04 to 12-31-07

STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE EAST ENTERPRISE REGIONAL
SEWAGE DISTRICT, SWITZERLAND COUNTY, INDIANA

We have examined the financial information presented herein of the East Enterprise Regional Sewage District (District), for the period of January 1, 2004 to December 31, 2005. 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, 2004 and 2005, 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

January 25, 2007

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Operating	$ 15,468	$ 106,506	$ 121,147	$ 827
Bond and Interest	150	17,642	17,690	102
Debt Service Reserve	12,613	2,083	14,463	233
Construction	3,691	2,402	5,883	210
Totals	$ 31,922	$ 128,633	$ 159,183	$ 1,372

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Operating	$ 827	$ 209,014	$ 205,671	$ 4,170
Bond and Interest	102	25,288	23,000	2,390
Debt Service Reserve	233	24,540	-	24,773
Construction	210	15,043	-	15,253
Totals	$ 1,372	$ 273,885	$ 228,671	$ 46,586

The accompanying notes are an integral part of the schedules.

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater collection and treatment 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. 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.

SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2005

Description of Asset	Ending Balance	Due Within One Year
Revenue bonds:		
Sewage collection and treatment facility	$ 366,000	$ 6,000

BANK ACCOUNT RECONCILIATIONS

Bank reconciliations of the Operating Fund record balances to the bank account were incorrect. As a result, numerous posting errors went undetected and uncorrected.

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

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)

CAPITAL ASSET RECORDS

The District did not take an inventory of its capital assets nor was a detail record of the assets recorded on the applicable General Fixed Asset Account Group Form (Form 369).

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. 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 Manual for Special Districts, Chapter 10)

ACCOUNTS RECEIVABLE CONTROL

The District does not maintain an accounts receivable control. As a result, no reconciliation procedures are performed to determine the accuracy of the detailed accounts receivable accounts.

When utility records are kept on a cash or single-entry basis, a separate control should be carried on General Ledger Sheet, General Form 315, in the front of the Consumer's Ledger. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 23)

Controls over the receipting, disbursing, recording, and accounting for 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)

COMPENSATION

The certified operator and bookkeeper's salaries were not included on a salary ordinance, resolution or salary schedule adopted by the District Board.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PAYROLL DEDUCTIONS

Payments were made to the District's board members and bookkeeper without withholdings for taxes.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

CELLULAR PHONE BILL PAYMENTS

Payments to Nextel for cellular phone service were not adequately itemized. Two instances were noted where a past due balance was included with payment of the following month's charges, with no itemization of the past due amount.

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, Chapter 10)

ADJUSTMENTS TO CUSTOMER ACCOUNTS

Adjustments were made to customer accounts, but adjustment printouts generated by the unit's computer system were not maintained for examination. In addition, the District did not have a written policy concerning procedures for writing off bad debts, uncollectible accounts receivable or any other adjustments to a customer account balance. Adjustments were not approved by a second person or board.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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 audit. Information must be maintained in a manner that will allow access for audit and public inquiry on equipment of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ITEMIZATION FOR EQUIPMENT RENTAL

Larry Stewart, Plant Operator for the District, also receives payment for equipment rental. We found the following in regards to payments made to Mr. Stewart:

1) Mr. Stewart received $15,805 and $25,127 in 2004 and 2005, respectively, for the rental of equipment. However, the claims presented for examination contained only a description of the equipment used and total hours for the pay period. The claims were not itemized in regards to specific dates or description and location of where the work was performed.

   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 . . . there is a fully itemized invoice or bill for the claim;

   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, Chapter 10)

2) No written contract between Mr. Stewart and the District was presented for examination.

   Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

EAST ENTERPRISE REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 25, 2007, with Linda F. Elam, Treasurer; and Keith Penick, President of the Board.