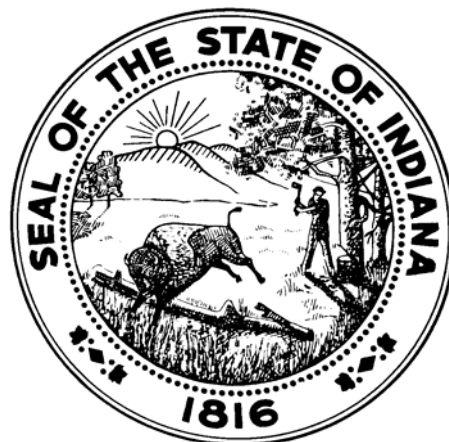


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
SCOTT COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
03/01/2007



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information.....	5
Examination Results and Comments:	
Condition of Records .....	6-7
Investing Procedures .....	7
Disbursement Procedures .....	7-8
Capital Asset Records .....	8
Contracts .....	8
Deposits .....	9
By-Laws .....	9
Exit Conference .....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Schmittler	01-01-04 to 12-31-07
President of the Board	Larry E. Bower	01-01-04 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

---

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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SCOTT COUNTY REGIONAL  
SEWAGE DISTRICT, SCOTT COUNTY, INDIANA

We have examined the financial information presented herein of the Scott County 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.

STATE BOARD OF ACCOUNTS

January 30, 2007

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY FUND TYPES  
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
Proprietary Funds:				
Operating	\$ 42,121	\$ 197,886	\$ 177,248	\$ 62,759
Bond and Interest	69,510	77,935	63,913	83,532
Construction	391	-	-	391
	<u>112,022</u>	<u>275,821</u>	<u>241,161</u>	<u>146,682</u>
Totals	<u>\$ 112,022</u>	<u>\$ 275,821</u>	<u>\$ 241,161</u>	<u>\$ 146,682</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Operating	\$ 62,759	\$ 234,581	\$ 238,434	\$ 58,906
Bond and Interest	83,532	115,387	63,284	135,635
Construction	391	-	9	382
	<u>146,682</u>	<u>349,968</u>	<u>301,727</u>	<u>194,923</u>
Totals	<u>\$ 146,682</u>	<u>\$ 349,968</u>	<u>\$ 301,727</u>	<u>\$ 194,923</u>

The accompanying notes are an integral part of the schedules.

SCOTT COUNTY 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 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.

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

We found the following deficiencies related to recordkeeping:

- 1) Receipts are not reconciled to deposits. The amounts collected on customer accounts, as posted to the computerized accounts receivable system, are not used in posting the receipts in the Simplified Cash Journal (Form 323). The entries in the Simplified Cash Journal were made from bank deposit slips instead of receipt printouts, receipt summaries, or individual receipts. We found instances of deposits that included other receipts such as tap in fees which were not identified separately in the Simplified Cash Journal.

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)

- 2) We found instances of deposits that included other receipts such as tap in fees which were not identified separately in the Simplified Cash Journal and no receipt was issued for the tap in fee.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

- 3) Paid billing stubs, documenting payments made on billings were not presented for examination. These forms are to be retained as documentation of collections on customer accounts. They should be filed in such a manner that they can be traced to the applicable printout of collections and daily bank deposit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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

- 4) The Simplified Cash Journal – Municipal Sewage Utility (Form 323) was not properly posted as described below:
  - a) The annual totals by column were not recorded on the form for any of the years examined.
  - b) The columns summarizing receipts by source and disbursements by purpose were not completed.
  - c) The Bond and Interest Fund financial activity and cash and investment balances were not recorded.

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

- 5) The District did not formally establish an imprest cash fund. Instead, monies were withheld from the daily cash receipts as needed for change.

Indiana Code 5-13-6-1-(c) states in part: "Public funds . . . shall be deposited in the same form in which they were received."

INVESTING PROCEDURES

We noted the following regarding the District's purchase of certificates of deposits:

- 1) No record of quotes taken for investment in certificates of deposit was available for examination.

IC 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 IC 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."

- 2) The District has been renewing a certificate of deposit in the Bond and Interest Fund at each maturity date by rolling over the principal and interest accrued to the date of maturity.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

- 3) The District is not using the prescribed Form 350, Register of Investments.

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 PROCEDURES

The District does not use the prescribed Claim (Form 354) when processing most disbursements. Accordingly, there was no documentation showing that the fiscal officer audited disbursements, that the disbursements were approved by the governing board, and that the disbursements were approved by the officer or person receiving goods or services. When claim forms were used, they were not signed by the fiscal officer or the board.

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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 Capital Assets 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)

CONTRACTS

Periodic personal service payments were made for legal, accounting, and maintenance services without written contracts being presented for audit outlining the basic services to be performed and compensation to be made. We also noted that the District was paying workmen's compensation insurance for one contractor which was not included as a contract provision.

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)

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DEPOSITS

We noted instances where receipts were deposited later than the next business day.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . 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 . . . local boards of finance. . . ."

BY-LAWS

The District has no by-laws. There have been no rules adopted for procedures of the board's actions, election of officers, or other lawful subjects necessary to establish the District's operation and exercise of powers. During the examination period and through January 11, 2007, there were no elections of officers.

Indiana Code 13-26-5-3 (a) states: "The board may by rules and resolutions provide the following:

- (1) The procedure for the board's actions.
- (2) The manner of selection of the board's president, treasurer, and secretary and other officers or employees of the district, including the titles, terms of office, compensation, duties, number, and qualifications.
- (3) Any other lawful subject necessary to the operation of the district and the exercise of the power granted."

SCOTT COUNTY REGIONAL SEWAGE DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on January 30, 2007, with Sharon Schmittler, Treasurer. The official concurred with our findings.