B37813

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

EXAMINATION REPORT
OF

WASHINGTON TOWNSHIP
REGIONAL SEWAGE DISTRICT
CLARK COUNTY, INDIANA

January 1, 2007 to December 31, 2009

FILED
11/16/2010

TABLE OF CONTENTS


| Description | Page |
|---|---|
| Officials | 2 |
| Independent Accountant's Report | 3 |
| Financial Information: | |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances | 4 |
| Notes to Financial Information | 5 |
| Supplementary Information: | |
| Schedule of Long-Term Debt | 6 |
| Examination Results and Comments: | |
| Annual Reports Not Filed | 7 |
| Accounting Forms Not Approved | 7 |
| Nonuse of Prescribed Forms | 8 |
| Bond Ordinance Noncompliance | 8 |
| Capital Asset Records | 9 |
| Exit Conference | 10 |

OFFICIALS

| Office | Official | Term |
| --- | --- | --- |
| Treasurer | Carroll T. Steele | 01-01-07 to 12-31-10 |
| President of the Board | Ronald L. Repp | 01-01-07 to 12-31-10 |

**STATE OF INDIANA**
**AN EQUAL OPPORTUNITY EMPLOYER**

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP REGIONAL
SEWAGE DISTRICT, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of Washington Township Regional Sewage District (District), for the period of January 1, 2007 to December 31, 2009. 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, 2007, 2008, and 2009, 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 them.

STATE BOARD OF ACCOUNTS

August 12, 2010

WASHINGTON TOWNSHIP 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, 2007, 2008, And 2009

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|---|---|---|---|---|
| Operating | $ 388,602 | $ 80,919 | $ 100,561 | $ 368,960 |

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|---|---|---|---|---|
| Operating | $ 368,960 | $ 105,637 | $ 212,880 | $ 261,717 |

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|---|---|---|---|---|
| Operating | $ 261,717 | $ 108,609 | $ 128,035 | $ 242,291 |

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

WASHINGTON TOWNSHIP 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 waste-water 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.

WASHINGTON TOWNSHIP REGIONAL SEWAGE DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

The District has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|---|---|---|
| Business-type activities: | | |
| Revenue bonds: | | |
| 1986 Sewage improvement bonds | $ 149,000 | $ 14,864 |

## ANNUAL REPORTS NOT FILED

The 2008 and 2009 Special District Annual Reports (SDAR) that report the financial activity and cash and investment balances were not filed with the Indiana State Board of Accounts.

IC 5-11-1-4 states in part: "The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be . . . 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 . . ."

## ACCOUNTING FORMS NOT APPROVED

The District uses a computerized accounting system. The accounting forms generated from the system have not been approved by the State Board of Accounts. The following is a listing of the primary accounting forms that have not been submitted to the Indiana State Board of Accounts for approval:

1. A cash receipts journal was used to document posting of daily consumer collections. The State Board of Accounts has prescribed the Register of Daily Cash Receipts - Consumer (Utility Form No. 313A) for this purpose. The prescribed form 313A is designed to be used to post daily collections from Sewage Receipts.

2. A customer ledger report was used to provide a history of billings, payments, and adjustments to customer accounts. The State Board of Accounts has prescribed Utility Form No. 324, Consumer's Ledger-Municipal Sewage Utility, for this purpose.

3. The general ledger used by the District was not approved by the State Board of Accounts. The prescribed manual form for posting the District's financial activity is the Simplified Cash Journal - Municipal Wastewater Utility (Utility Form No. 323).

4. Although not a prescribed form, the computerized accounting system includes an aged accounts receivable report. The report does not accurately present receivables. Payments are applied to over 90 day balances- even if there are no balances due for over 90 days. This results in individual customer accounts on the aged accounts receivable report showing receivables from the customer for 30, 30-60, and 60-90 days and a credit balance (overpayment) for over 90 days.

All governmental units are required by law to use the forms prescribed by this department; however, if it is desirable to use a different form or to have a prescribed form modified to conform for computer applications, a letter and three copies of the proposed form may be submitted to the State Board of Accounts for approval. No form should be printed and placed into use, other than a prescribed form, without prior approval. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

A similar comment was made in prior Reports B29662 and B24450.

NONUSE OF PRESCRIBED FORMS

The following is a schedule of prescribed forms not used:

1. The District did not issue receipts to customers for payments on account for monthly services. Water and Sewage Utility Receipt (Utility Form 311) has been prescribed to document payments from customers for services.

2. Investment Register (Form 350) was not used to record 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).

A similar comment was made in prior Reports B29662 and B24450.

BOND ORDINANCE NONCOMPLIANCE

The District was not in compliance with Bond Ordinance 1-1986 as follows:

1. The District has not established a Bond and Interest Fund, Debt Service Reserve Fund or an Improvement Fund. The entire balance of the District's net revenues is retained in the Operating Fund.

   Under sections 13 and 15 of Bond Ordinance No. 1, the District was to establish a "debt service account" (a Bond and Interest Fund and a Debt Service Reserve Fund). The District is to make monthly transfers to these funds and maintain the funds in a separate bank account. Monthly transfers were to begin when the District's sewage works became revenue producing and were to be a minimum of (a) $375 per month into the Debt Service Reserve Fund and (b) 1/10 of the amounts of principal and interest due on their next payment dates into the Bond and Interest Fund. The separate bank account is to be deposited, held, and maintained in accordance with the Indiana statutes.

2. The District's financial records and system of accounting and bookkeeping are not in compliance with the requirements of the Indiana State Board of Accounts as described in comment titled "Accounting Forms Not Approved."

   A letter of conditions issued in connection with Bond Ordinance No. 1 stipulates that this accounting system must be consistent with the requirements of the Indiana State Board of Accounts.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior Reports B29662 and B24450.

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets. An aggregate Utility Plant in Service account is reported in the General Ledger. However, detailed records providing historical costs for individual capital assets were not available.

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 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 16)

A similar comment was made in prior Report B29662 and B24450.

WASHINGTON TOWNSHIP REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2010, with Ronald L. Repp, President of the Board, and Carroll T. Steele, Treasurer.