

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

EXAMINATION REPORT

OF

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
A COMPONENT UNIT OF
HENDRICKS COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
12/11/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Alise Pate	01-01-06 to 08-15-06
Interim Manager	Nancy Marsh Mike Graham	08-16-06 to 12-31-06 01-01-07 to 12-31-08
President of the Board	David Whicker	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HENDRICKS COUNTY REGIONAL
SEWER DISTRICT, HENDRICKS COUNTY, INDIANA

We have examined the financial information presented herein of the Hendricks County Regional Sewer District (District), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

October 28, 2008

HENDRICKS COUNTY 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, 2006 And 2007

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund: General	<u>\$ 1,431,827</u>	<u>\$ 621,778</u>	<u>\$ 362,361</u>	<u>\$ 1,691,244</u>
	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Fund: General	<u>\$ 1,691,244</u>	<u>\$ 2,107,237</u>	<u>\$ 723,907</u>	<u>\$ 3,074,574</u>

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

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

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.

Note 4. Service Agreement

The District entered into a service agreement with Hendricks County Wastewater, LLC (HCWW, LLC) on June 4, 1994. HCWW, LLC has designed and constructed a wastewater facility in the eastern portion of the County at a site known as Raceway Plaza. In the service agreement, HCWW, LLC agreed to construct subsystems to expand the capacity of the facility at specified time periods agreed to between the two parties. HCWW, LLC also agreed to provide financing, construction, maintenance, and operation of the wastewater treatment plant for a period of 30 years. The service agreement also provides for HCWW, LLC to handle the billing and collection of accounts receivable for all charges assessed by the District. As part of the agreement, HCWW, LLC remits an established amount for each unit of service provided and also collects for the benefit of the District certain connection and related fees. The service agreement also provides an option for the District to purchase the wastewater treatment plant if it so desires. HCWW, LLC has exclusive rights to provide sewer service to the service area defined in the agreement. The District has the right to hire or contract with an engineer to oversee the treatment plant expansions and operations.

Note 5. Subsequent Events

The District signed a contract in May of 2008 with American Structurepoint, Inc., to construct a wastewater collection and conveyance infrastructure in an area in the vicinity of Interstate 70 and US Highway 39. This area will be developed as an industrial park. Sewer lines will be installed to convey wastewater to the Town of Monrovia for treatment. The District is also in negotiations with other governmental entities to install sewer lines to establish service to an area of the county near the unincorporated community of Cartersburg.

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The District did not use the following prescribed or approved forms: Receipt (Form 352), Ledger of Receipts, Disbursements and Balances (Form 358), Register of Investments (Form 350), Claim Form (Form 354), Mileage Claim (Form 101), Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R), Capital Assets Ledger (Form 369) and Check (Form 353).

A similar comment appeared in prior Report B27184.

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)

INTERNAL CONTROLS

As mentioned above, the District did not use many prescribed or approved forms. Prescribed forms were designed to be used as indicated in the Accounting and Uniform Compliance Guidelines Manual for Special Districts as part of a system to provide an adequate level of internal controls. Not using these forms compromises the efficiency of the District's financial operations and the reliability of the financial records.

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 managements' 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)

DEPOSITS

As stated in the prior Report B27184, we noted numerous instances where receipts were deposited later than the next business day. One receipt was held for nearly eight months before it was deposited.

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. . . ."

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONTRACTS

Records presented for examination indicate payments were made to various vendors for professional engineering and legal services in 2006 and 2007 without a written contract.

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)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but rather returned optical images of the front-side of the checks. The financial institution later provided optical images of the back side of the checks for specific checks requested during the examination.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL REPORTS NOT FILED

The District prepared annual reports for 2006 and 2007, but the reports were not submitted to the State Board of Accounts.

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. Except as provided by subsection (b), these reports shall be prepared, verified, and filed with the state examiner not later than thirty (30) days after the close of each fiscal year."

CERTIFIED REPORT NOT FILED

The District did not file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (100R) with the State Board of Accounts in 2006 or 2007.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . ."

HENDRICKS COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2008, with Mike Graham, Interim Manger; Nancy Marsh, former Interim Manager; and David Whicker, President of the Board. The officials concurred with our findings.