

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

EXAMINATION REPORT

OF

DAWN LAKES REGIONAL SEWER DISTRICT

HUNTINGTON COUNTY, INDIANA

January 1, 2007 to December 31, 2009



FILED
11/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jill M. Cutshall	01-01-07 to 12-31-10
President of the Board	Michael A. Stobb	01-01-07 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE DAWN LAKES REGIONAL
SEWER DISTRICT, HUNTINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Dawn Lakes Regional Sewer 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 it.

STATE BOARD OF ACCOUNTS

September 15, 2010

DAWN LAKES REGIONAL SEWER 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
Proprietary Funds:				
Operating	\$ 95,213	\$ 71,841	\$ 177,211	\$ (10,157)
Bond and interest	8	26,820	26,987	(159)
Reserve	<u>5,520</u>	<u>5,520</u>	<u>-</u>	<u>11,040</u>
Totals	<u>\$ 100,741</u>	<u>\$ 104,181</u>	<u>\$ 204,198</u>	<u>\$ 724</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Operating	\$ (10,157)	\$ 59,423	\$ 64,307	\$ (15,041)
Bond and interest	(159)	26,820	26,503	158
Reserve	<u>11,040</u>	<u>5,520</u>	<u>-</u>	<u>16,560</u>
Totals	<u>\$ 724</u>	<u>\$ 91,763</u>	<u>\$ 90,810</u>	<u>\$ 1,677</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating	\$ (15,041)	\$ 54,865	\$ 59,283	\$ (19,459)
Bond and interest	158	26,820	27,019	(41)
Reserve	<u>16,560</u>	<u>5,520</u>	<u>-</u>	<u>22,080</u>
Totals	<u>\$ 1,677</u>	<u>\$ 87,205</u>	<u>\$ 86,302</u>	<u>\$ 2,580</u>

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

DAWN LAKES 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 wastewater 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

No formal budget is required for the District.

Note 4. Property Taxes

No property taxes are collected for the District.

Note 5. 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 6. Rate Structure

The current rate structure was approved by the District on October 11, 2005. The District has 49 customers.

DAWN LAKES REGIONAL SEWER 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:		
New wastewater facility	\$ 291,000	\$ 7,246

DAWN LAKES REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Receipts were deposited later than the next business day. On average, deposits were made three times a month during the examination period. A similar comment appeared in prior Report B30579.

IC 5-13-6-1(c) states in part:

" . . . all local officers, except township trustees, 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. . . ."

CAPITAL ASSET RECORDS

The District does not maintain capital assets records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable 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)

CONDITION OF RECORDS

Financial records presented for examination made it difficult to examine the activity of the Dawn Lakes Regional Sewer District due to the following inadequacies. A similar comment appeared in prior Report B30579.

- (1) Simplified Cash Journal for Wastewater Utility - Class C (Utility Form 323) was not in use. Records were maintained on a thirteen column spreadsheet (general ledger). This spreadsheet did not contain the information required by the prescribed form.
- (2) Consumer's Ledger (Form 324) was not in use. A comparable computerized spreadsheet was used; however, collections posted to this spreadsheet did not agree with the collections posted to the general ledger. The general ledger reported receipts the date they were deposited while the computerized spreadsheet reported receipts the date they were received.
- (3) The District was not using a Sewage Receipt (Utility Form 311), or approved checks (Form 353).
- (4) The Annual Report (SDAR) prepared for years 2007, 2008, and 2009, did not accurately reflect the financial activity of the District.

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)

DAWN LAKES REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERPAYMENT OF CONTRACT

Overpayments of \$8,000 were made to McMahon Associates for engineering services in the prior examination period. The engineering firm disputes this overpayment and the District has determined that the costs of litigation would surpass the collection of the overpayments.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn at year end:

<u>Fund</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Operating	\$ (10,157)	\$ (15,041)	\$ (19,459)
Bond and Interest	(159)	-	(41)

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

DAWN LAKES REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2010, with Jill M. Cutshall, Treasurer; and Michael A. Stobb, President of the Board.