

B37903

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, 2008 to December 31, 2009



FILED
11/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	Mike Graham (Interim)	01-01-08 to 12-31-10
President of the Board	David Whicker	01-01-08 to 12-31-10



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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, 2008 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 6, 2010

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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08										
Governmental Fund: General	<u>\$ 3,074,574</u>	<u>\$ 500,917</u>	<u>\$ 344,700</u>	<u>\$ 3,230,791</u>										
<table border="0"> <thead> <tr> <th style="text-align: left;"></th> <th style="text-align: center;">Cash and Investments 01-01-09</th> <th style="text-align: center;">Receipts</th> <th style="text-align: center;">Disbursements</th> <th style="text-align: center;">Cash and Investments 12-31-09</th> </tr> </thead> <tbody> <tr> <td style="text-align: left;">Governmental Fund: General</td> <td style="text-align: right;"><u>\$ 3,230,791</u></td> <td style="text-align: right;"><u>\$ 508,026</u></td> <td style="text-align: right;"><u>\$ 2,023,626</u></td> <td style="text-align: right;"><u>\$ 1,715,191</u></td> </tr> </tbody> </table>						Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09	Governmental Fund: General	<u>\$ 3,230,791</u>	<u>\$ 508,026</u>	<u>\$ 2,023,626</u>	<u>\$ 1,715,191</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09										
Governmental Fund: General	<u>\$ 3,230,791</u>	<u>\$ 508,026</u>	<u>\$ 2,023,626</u>	<u>\$ 1,715,191</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 the following services: public safety and general administrative 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.

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 Regional Sewer 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 Regional Sewer 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 Regional Sewer District has the right to hire or contract with an engineer to oversee the treatment plant expansions and operations.

HENDRICKS COUNTY REGIONAL SEWER DISTRICT EXAMINATION RESULTS AND COMMENTS

USE OF PRESCRIBED FORMS

As noted in the prior Report B33446, the District did not use 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)

INTEREST ON INVESTMENTS

We noted some instances where interest earned on investments was automatically added to the principal and not recorded in the records.

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 15)

OPTICAL IMAGES OF WARRANTS

As noted in the prior Report B33446, the financial institution did not return the actual cancelled checks with the monthly bank statements, but only optical images of only the front-side of the checks.

IC 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 . . ."

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

Further, IC 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)."

DEPOSITS

As noted in the prior Report B33446, we noted numerous instances where receipts were deposited later than the next business day.

IC 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
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2010, with Mike Graham, Interim Manger; Nancy Marsh, County Treasurer; and David Whicker, President of the Board. The officials concurred with our findings.