

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

EXAMINATION REPORT
OF
SOUTH CENTRAL REGIONAL SEWER DISTRICT
MONROE 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>
Utility Manager	Rick Coppock	01-01-08 to 12-31-10
Treasurer	Benjamin Keutzer	01-01-08 to 12-31-10
President of the Board of Trustees	Chad Reitmeyer	01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SOUTH CENTRAL REGIONAL
SEWER DISTRICT, MONROE COUNTY, INDIANA

We have examined the financial information presented herein of the South Central 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.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have 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

September 8, 2010

SOUTH CENTRAL 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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Briarwood Operating	\$ 642	\$ 84,114	\$ 80,177	\$ 4,579
Monroe Operating	311,603	639,719	572,262	379,060
North Park Operating	2,971	7,677	9,845	803
Stinesville Operating	3,264	55,487	51,729	7,022
Van Buren Operating	26,147	125,635	126,231	25,551
Monroe Bond and Interest	46,346	975	-	47,321
Briarwood Debt Service Reserve	4,010	6,034	5,000	5,044
Monroe Debt Service Reserve	71,678	1,509	-	73,187
Stinesville Debt Service Reserve	10,973	209	6,000	5,182
Van Buren Debt Service Reserve	4,011	10,040	-	14,051
Briarwood Depreciation	-	1,779	-	1,779
Monroe Depreciation	-	70,406	-	70,406
Stinesville Depreciation	-	5,964	-	5,964
Van Buren Depreciation	-	25,260	-	25,260
Monroe Escrow	23,154	487	-	23,641
Monroe Construction	31,695	-	-	31,695
Totals	\$ 536,494	\$ 1,035,295	\$ 851,244	\$ 720,545

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Briarwood Operating	\$ 4,579	\$ 78,557	\$ 80,410	\$ 2,726
Monroe Operating	379,060	634,947	716,403	297,604
North Park Operating	803	14,257	11,284	3,776
Stinesville Operating	7,022	57,924	64,535	411
Van Buren Operating	25,551	151,642	167,233	9,960
Briarwood Bond and Interest	-	7,270	-	7,270
Monroe Bond and Interest	47,321	2,554	-	49,875
Stinesville Bond and Interest	-	6,906	4,050	2,856
Van Buren Bond and Interest	-	16,247	4,000	12,247
Briarwood Debt Service Reserve	5,044	4,531	8,000	1,575
Monroe Debt Service Reserve	73,187	851	-	74,038
Stinesville Debt Service Reserve	5,182	3,553	8,009	726
Van Buren Debt Service Reserve	14,051	7,060	17,000	4,111
Briarwood Depreciation	1,779	2,995	-	4,774
Monroe Depreciation	70,406	80,175	-	150,581
Stinesville Depreciation	5,964	9,715	-	15,679
Van Buren Depreciation	25,260	40,808	-	66,068
Monroe Escrow	23,641	275	-	23,916
Monroe Construction	31,695	-	31,595	100
Totals	\$ 720,545	\$ 1,120,267	\$ 1,112,519	\$ 728,293

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

SOUTH CENTRAL 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: wastewater removal and treatment.

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.

SOUTH CENTRAL REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Business-type activities:	
Capital assets, not being depreciated:	
Land	\$ 53,162
Buildings	28,458
Improvements other than buildings	10,429,373
Machinery and equipment	<u>30,905</u>
 Total business-type activities capital assets	 <u><u>\$ 10,541,898</u></u>

SOUTH CENTRAL 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:		
Wastewater Utility:		
Revenue bonds:		
Briarwood 2000 Expansion	\$ 87,372	\$ 8,817
Briarwood 2009 Expansion	105,000	5,662
Monroe 1996 Expansion	80,000	6,000
Stinesville 1983 Expansion	77,000	7,850
Van Buren 2005 Expansion	<u>814,000</u>	<u>37,577</u>
Total business-type activities long-term debt	<u>\$ 1,163,372</u>	<u>\$ 65,906</u>

SOUTH CENTRAL REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The General Ledger used during the examination period was not a prescribed or approved form.

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)

CONDITION OF RECORDS

The general ledger presented for examination did not reconcile to the depository balance as of December 31, 2009, because interest in the amount of \$1,549.51 was not posted to the general ledger.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

CAPITAL ASSET RECORDS

The District did not keep a capital asset record using the prescribed Capital Asset Form 369. The District did maintain a General Ledger with various Capital Asset control accounts, but did not maintain a detailed listing that reconciled to the capital asset totals in the general ledger.

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 year 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)

ORDINANCES AND RESOLUTIONS

The District has a revenue bond issue for four of its subdistricts. The District was required by the bond ordinances to establish bond and interest accounts and reserve accounts for each issue. Required monthly transfers are not being made into all four bond and interest accounts. The debt service reserve accounts for Briarwood, Stinesville, and Van Buren subdistricts were underfunded by \$8,578, \$7,924, and \$19,864, respectively.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SOUTH CENTRAL REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of 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 . . ."

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)."

SOUTH CENTRAL REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 8, 2010, with Chad Reitmeyer, President of the Board of Trustees; Gary Kent, Vice President of the Board of Trustees; Benjamin Keutzer, Treasurer; Rick Coppock, Utility Manager; and M. Phil Hathaway, Accountant. The officials concurred with our findings.