

B38041

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

EXAMINATION REPORT  
OF  
FRIENDSHIP REGIONAL SEWER DISTRICT  
RIPLEY COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/09/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary M. Nickell	01-01-08 to 12-31-10
President of the Board	Glen E. Kamman	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 FRIENDSHIP REGIONAL  
SEWER DISTRICT, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Friendship 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 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

October 13, 2010

FRIENDSHIP 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:				
Operating	\$ 33,895	\$ 120,846	\$ 118,534	\$ 36,207
Bond and Interest	33,247	28,332	27,547	34,032
Reserve	31,021	4,172	-	35,193
Improvement	66,643	8,467	-	75,110
Totals	<u>\$ 164,806</u>	<u>\$ 161,817</u>	<u>\$ 146,081</u>	<u>\$ 180,542</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating	\$ 36,207	\$ 101,782	\$ 112,454	\$ 25,535
Bond and Interest	34,032	28,332	28,255	34,109
Reserve	35,193	3,745	-	38,938
Improvement	75,110	7,945	3,676	79,379
Totals	<u>\$ 180,542</u>	<u>\$ 141,804</u>	<u>\$ 144,385</u>	<u>\$ 177,961</u>

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

FRIENDSHIP REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board and provides wastewater collections, treatment and removal 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. Major Customer

The District's major customer is the National Muzzle Loader Rifle Association (NMLRA). The NMLRA provides approximately 53% and 52% of the District's annual revenue for the years 2008 and 2009, respectively.

FRIENDSHIP 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:		
1998 Sewage works revenue bonds	\$ 429,000	\$ 27,914

## FRIENDSHIP REGIONAL SEWER DISTRICT EXAMINATION RESULTS AND COMMENTS

### PRESCRIBED FORMS NOT IN USE

The following prescribed or approved forms were not in use.

- (1) Simplified Cash Journal - Municipal Wastewater Utility (Utility Form 323)
- (2) General Check (General Form 353)
- (3) Capital Asset Ledger (General Form 369)

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 reported in prior Report B29592 and B33763.

### ANNUAL REPORT

The State Board of Accounts has prescribed an annual financial statement report, Special District Annual Report (SDAR), to summarize the District's financial activity and cash and investment balances. This report is required to be filed annually with the Indiana State Board of Accounts.

In 2008, the District filed an annual financial report with the Indiana State Board of Accounts; however, the prescribed form was not used when filing the report which resulted in the omission of some required financial information. The 2009 SDAR report was not filed with the Indiana State Board of Account.

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 . . ."

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 reported in prior Report B33763.

### CAPITAL ASSET RECORDS

Information presented for examination did not indicate a complete inventory or record of all capital assets of the District. Although a list of equipment was provided the transmission lines and plant were omitted which would be the bulk of assets owned by the District.

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 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 16)

A similar comment was reported in prior Report B33763.

FRIENDSHIP REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 13, 2010, with Mary M. Nickell, Treasurer, and Glen E. Kammam, President of the Board.