

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

EXAMINATION REPORT
OF
MORGAN COUNTY REGIONAL SEWER DISTRICT
A COMPONENT UNIT OF
MORGAN COUNTY, INDIANA
January 30, 2008 to December 31, 2009



FILED
01/05/2011

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OFFICIALS

Office

Official

Term

Fiscal Officer

Debra Verley

10-01-08 to 12-31-10

President of the Board

Jeff Quyle

01-01-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Morgan County Regional Sewer District (District), for the period of January 30, 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 28, 2010

MORGAN COUNTY REGIONAL SEWER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUNDS
As Of And For The Years Ended December 31, 2008 And 2009

	<u>Cash and Investments 01-30-08</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-08</u>
Governmental Funds:				
General	\$ -	\$ 9,865	\$ 8,200	\$ 1,665
Cash With Fiscal Agent	-	482,774	476,000	6,774
Totals	<u>\$ -</u>	<u>\$ 492,639</u>	<u>\$ 484,200</u>	<u>\$ 8,439</u>

	<u>Cash and Investments 01-01-09</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-09</u>
Governmental Funds:				
General	\$ 1,665	\$ 56,563	\$ 51,690	\$ 6,538
Cash With Fiscal Agent	6,774	27,330	9,727	24,377
Totals	<u>\$ 8,439</u>	<u>\$ 83,893</u>	<u>\$ 61,417</u>	<u>\$ 30,915</u>

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

MORGAN COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana, by an order issued by the Indiana Department of Environmental Management dated January 30, 2008. The first financial transactions by the District were August 18, 2008. The District provides the following services: 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 Aqua Indiana, Inc., on November 28, 2008. The service agreement provides for Aqua Indiana, Inc., to operate and manage the system until such time as Aqua Indiana, Inc., purchases the system from the District.

MORGAN COUNTY REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Regional Sewer District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Wastewater Revolving Loan		
Construction of Sanitary Sewers	\$ 476,000	\$ 21,070

MORGAN COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

ANNUAL REPORT

Annual reports for 2008 and 2009 were not presented for examination.

IC 5-11-1-4 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. These reports shall be prepared, verified, and 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 that is compatible with the technology employed by the political subdivision."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not certified by the fiscal officer.
- (2) All claims did not have board approval.

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and

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

- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, nor did they return an optical image of the front side and back 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)."

CAPITAL ASSET RECORDS

The Regional Sewer district does not maintain capital asset records.

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)

MORGAN COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 28, 2010, with Debra Verley, Fiscal Officer. The official concurred with our findings.