

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

EXAMINATION REPORT
OF
LUCE TOWNSHIP REGIONAL SEWER DISTRICT
SPENCER COUNTY, INDIANA
January 1, 2007 to December 31, 2010



FILED
05/11/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	John D. Wayman	01-01-07 to 04-30-09
	John C. Wood	05-01-09 to 01-11-10
	Nora L. Yeager	01-12-10 to 12-31-11
President of the Board	William Rick Garrett	01-01-07 to 01-12-09
	Edward J. Ingram	01-13-09 to 01-11-10
	John C. Wood	01-12-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LUCE TOWNSHIP REGIONAL
SEWER DISTRICT, SPENCER COUNTY, INDIANA

We have examined the financial information presented herein of the Luce Township Regional Sewer District (District), for the period of January 1, 2007 to December 31, 2010. 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, 2009, and 2010, 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

March 31, 2011

LUCE TOWNSHIP 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, 2009, And 2010

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
General	\$ 2,982	\$ 35,130	\$ 34,158	\$ 3,954
Construction 1	46,137	55,103	100,028	1,212
Construction 2	166,473	5,438	70,000	101,911
Bond and Interest	142,338	155,253	217,518	80,073
Totals	<u>\$ 357,930</u>	<u>\$ 250,924</u>	<u>\$ 421,704</u>	<u>\$ 187,150</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
General	\$ 3,954	\$ 22,511	\$ 23,310	\$ 3,155
Construction 1	1,212	25,247	24,934	1,525
Construction 2	101,911	43,962	102,200	43,673
Bond and Interest	80,073	197,528	274,828	2,773
Totals	<u>\$ 187,150</u>	<u>\$ 289,248</u>	<u>\$ 425,272</u>	<u>\$ 51,126</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
General	\$ 3,155	\$ 118,080	\$ 104,983	\$ 16,252
Construction 1	1,525	3	-	1,528
Construction 2	43,673	180	43,012	841
Bond and Interest	2,773	5	-	2,778
Totals	<u>\$ 51,126</u>	<u>\$ 118,268</u>	<u>\$ 147,995</u>	<u>\$ 21,399</u>

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Proprietary Funds:				
General	\$ 16,252	\$ 152,981	\$ 59,994	\$ 109,239
Construction 1	1,528	-	1,528	-
Construction 2	841	1	842	-
Bond and Interest	2,778	1	2,779	-
Cash with Fiscal Agent	-	5,200,671	1,367,173	3,833,498
Totals	<u>\$ 21,399</u>	<u>\$ 5,353,654</u>	<u>\$ 1,432,316</u>	<u>\$ 3,942,737</u>

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

LUCE TOWNSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District is in the process of constructing a system in order to provide the following service: wastewater removal.

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

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. State Revolving Fund Loans

The District has entered into a state revolving loan for \$3,012,000 and a forgivable bond anticipation note for \$3,702,000.

LUCE TOWNSHIP REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Loans:		
2010 state revolving loan	\$ 3,012,000	\$ 33,132
2010 state revolving forgivable bond anticipation note	<u>3,702,000</u>	<u>-</u>
Total business-type activities long-term debt	<u>\$ 6,714,000</u>	<u>\$ 33,132</u>

LUCÉ TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances for April 2009 to December 2010 were not presented for examination.

IC 5-13-6-1(e) states in part: "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."

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)

SUPPORTING DOCUMENTATION

Several payments were observed which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORM

The following prescribed form was not in use:

General Form 369 Capital Assets Ledger

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)

LUCÉ TOWNSHIP REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The District did not present Capital Asset Records for examination.

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 form. 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)

ANNUAL REPORT

The Special Districts Annual Report (SDAR-1) for 2010 did not include the accounts held in trust at the Bank of New York. The general fund balance was not correct due to the failure to perform monthly bank reconciliations.

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."

LUCE TOWNSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2011, with Nora L. Yeager, Treasurer; John D. Wayman, former Treasurer; John C. Wood, President of the Board; Sheila Thomas, Clerk; and Neal Thomas, Secretary of the Board. The officials concurred with our findings.