



STATE OF INDIANA

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B45912

STATE BOARD OF ACCOUNTS
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February 26, 2016

TO: THE OFFICIALS OF THE FRIENDSHIP REGIONAL
SEWER DISTRICT, RIPLEY COUNTY, INDIANA

As authorized under Indiana Code 5-11-1, we performed certain procedures to the accounting records and related documents of the Friendship Regional Sewer District (District), for the period of January 1, 2013 to December 31, 2014, to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

The District's financial statement for the period of January 1, 2013 to December 31, 2014, is attached to this letter. Our procedures were designed solely to satisfy the requirements of Indiana Code 5-11-1. Because our procedures were not designed to opine on the District's financial statement, we did not follow auditing standards generally accepted in the United States of America. Accordingly, we do not express an opinion on any financial statement of the District.

Management is responsible for preparing and maintaining its accounting records and related documents, as well as compliance with applicable state laws and uniform compliance guidelines established by the Indiana State Board of Accounts.

For years 2011 and later, the Annual Financial Reports filed by the District can be found on the Gateway website: <https://gateway.ifionline.org/>.

The Comments contained herein describe the identified reportable instances of noncompliance found as a result of the procedures we performed. Our procedures were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

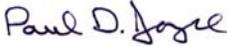
Current Period Comments

- *The Annual Financial Report for 2013 was not filed electronically until June 2, 2014, or 93 days after the required due date.*
- *The Annual Financial Reports for 2013 and 2014 contained errors. The cash and investment balance for the Operating Account and the Revenue Account as reported on the Annual Financial Reports were more than the record balance in the amount of \$2,416 and \$2,723, respectively. Differences occurred as of January 1, 2013, December 31, 2013, and December 31, 2014, for both of these funds.*
- *Board members were paid compensation in excess of the amount allowed by Indiana Code 13-26-4-7(a) (See separate Special Investigation Report B45910)*

This letter is intended for the information and use of the governing body and management of the Township. This restriction is not intended to limit the distribution of this letter, which is a matter of public record.

The contents of this letter were discussed on August 25, 2015, with Mary Nickell, Treasurer; Glen Kamman, President of the Board; Patricia Thomas, Board Member; Anthony Wood, Board Member; Gerald Stutler Board Member; and Scott Stutler, Board Member.

Any Official Response to the Current Period Comments incorporated within this letter was not verified for accuracy.


Paul D. Joyce, CPA
State Examiner

FRIENDSHIP REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Sinking Fund Bond & Interest	\$ 35,462	\$ 28,332	\$ 27,841	\$ 35,953	\$ 28,332	\$ 28,451	\$ 35,834
Sewage Works Fund	88,373	7,356	2,500	93,229	7,292	-	100,521
Sinking Fund Reserve	43,152	425	-	43,577	362	-	43,939
Operating Account	3,001	65,357	65,044	3,314	68,031	67,392	3,953
Revenue Account	9,398	73,023	70,111	12,310	91,912	74,801	29,421
Certificate of Deposit	20,532	87	-	20,619	152	-	20,771
Totals	<u>\$ 199,918</u>	<u>\$ 174,580</u>	<u>\$ 165,496</u>	<u>\$ 209,002</u>	<u>\$ 196,081</u>	<u>\$ 170,644</u>	<u>\$ 234,439</u>

The notes to the financial statement are an integral part of this statement.

FRIENDSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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.

The accompanying financial statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

Charges for services which can include, but are not limited to the following: utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

FRIENDSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Supplies include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's general obligation indebtedness.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Deposits and Investments

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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.

FRIENDSHIP REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 3. Risk Management

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.