

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, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Mary Nickell	01-01-06 to 12-31-08
President of the Board	Glen E. Kamman	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of Friendship Regional Sewer District (District), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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. The schedule 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

December 18, 2008

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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Operating	\$ 17,367	\$ 109,141	\$ 96,594	\$ 29,914
Bond and Interest	32,556	28,332	28,133	32,755
Reserve	22,612	3,758	-	26,370
Improvement	49,716	7,855	-	57,571
Totals	<u>\$ 122,251</u>	<u>\$ 149,086</u>	<u>\$ 124,727</u>	<u>\$ 146,610</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Operating	\$ 29,914	\$ 111,823	\$ 107,842	\$ 33,895
Bond and Interest	32,755	28,332	27,840	33,247
Reserve	26,370	4,651	-	31,021
Improvement	57,571	9,072	-	66,643
Totals	<u>\$ 146,610</u>	<u>\$ 153,878</u>	<u>\$ 135,682</u>	<u>\$ 164,806</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 collection, 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 50% of the District's annual revenue.

FRIENDSHIP REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
1998 Sewage works revenue bonds	<u>\$ 442,000</u>	<u>\$ 27,548</u>

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.

FAILURE TO FILE AN ANNUAL REPORT

The annual report that contains the District's financial information was not filed with the State Board of Accounts for 2006 and 2007.

Indiana Code 5-11-1-4 states in part about financial reports:

"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 thirty (30) days after the close of each fiscal year."

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. Transmission lines and plant would represent 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)

FRIENDSHIP REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on December 18, 2008, with Mary Nickell, Treasurer; and Glen E. Kamman, President of the Board. The officials concurred with our findings.