

B38127

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

EXAMINATION REPORT

OF

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT

JEFFERSON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
12/28/2010

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OFFICIALS

Office

Official

Term

Treasurer

(Position Vacant)

President of the
Board of Trustees

Gary Maas

01-01-08 to 12-31-10



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TELEGRAPH HILL-RYKERS RIDGE
REGIONAL SEWER DISTRICT, JEFFERSON COUNTY, INDIANA

We have examined the financial information presented herein of Telegraph Hill-Rykens Ridge 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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

October 18, 2010

TELEGRAPH HILL - RYKERS RIDGE 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 Cash Phase 1 and 2	\$ 10,875	\$ 182,979	\$ 165,049	\$ 28,805
Operating Cash Phase 3	85,253	73,640	131,332	27,561
Operating Investment	22,732	-	-	22,732
Bond and Interest Cash Phase 1 and 2	3,000	21,000	18,000	6,000
Bond and Interest Cash Phase 3	-	25,000	20,000	5,000
Debt Service Reserve Cash Phase 1 and 2	38,977	1,361	-	40,338
Debt Service Reserve Cash Phase 3	-	67,726	-	67,726
Improvement Cash	91,752	19,685	-	111,437
Cash on Hand	200	-	-	200
Totals	<u>\$ 252,789</u>	<u>\$ 391,391</u>	<u>\$ 334,381</u>	<u>\$ 309,799</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating Cash Phase 1 and 2	\$ 28,805	\$ 173,579	\$ 170,858	\$ 31,526
Operating Cash Phase 3	27,561	71,464	63,046	35,979
Operating Investment	22,732	-	-	22,732
Bond and Interest Cash Phase 1 and 2	6,000	36,000	36,000	6,000
Bond and Interest Cash Phase 3	5,000	30,000	30,000	5,000
Debt Service Reserve Cash Phase 1 and 2	40,338	161	-	40,499
Debt Service Reserve Cash Phase 3	67,726	167	-	67,893
Improvement Cash	111,437	446	-	111,883
Cash on Hand	200	-	-	200
Totals	<u>\$ 309,799</u>	<u>\$ 311,817</u>	<u>\$ 299,904</u>	<u>\$ 321,712</u>

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

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides wastewater collection service.

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.

TELEGRAPH HILL - RYKERS RIDGE REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 7,500
Improvements other than buildings	1,983,621
Machinery and equipment	<u>4,637</u>
 Total business-type activities capital assets	 <u>\$ 1,995,758</u>

TELEGRAPH HILL - RYKERS RIDGE 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:		
Wastewater Utility:		
Revenue bonds:		
Wastewater collection system Phase 1	\$ 183,000	\$ 12,608
Wastewater collection system Phase 2	370,000	23,575
Wastewater collection system Phase 3	<u>290,200</u>	<u>28,728</u>
Total business-type activities debt	<u>\$ 843,200</u>	<u>\$ 64,911</u>

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

TREASURER NOT APPOINTED

The position of Treasurer has not been appointed by the Board for the period from November 28, 2007 to date of this report October 18, 2010. District checks are currently being signed by any board member that is available.

The District has an official bond to provide coverage in the event of the mishandling of funds; however, this bond covers the position of "Treasurer". Information has not been presented for examination to determine whether the bond on the Treasurer would provide coverage on board members performing the duties of Treasurer, but however, not officially appointed as Treasurer.

IC 13-26-5-3(a) states in part:

"The board may by rules and resolutions provide the following:

- (1) The procedure for the board's actions.
- (2) The manner of selection of the board's president, treasurer, and secretary and other officers or employees of the district, including the titles, terms of office, compensation, duties, number, and qualifications."

Indiana Department Environment Management Cause #92-W-J-734 states in part:

"That the Board of Trustees provide sufficient bond for all officers, trustees or employees who have any power to dispense funds of the District. Said bond, as a minimum, shall be in amount equal to, plus ten percent (10%), of those funds anticipated to be received by the District, divided by three (3), which amount shall be determined annually by the Board of Trustees."

ANNUAL REPORT NOT FILED

The 2009 Special District Annual Report (SDAR), which reports the financial activity and cash and investment balances, was not filed with the Indiana State Board of Accounts.

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 1)

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . '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 . . . "

Furthermore, 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)."

A similar comment was made in prior Reports B29594 and B33606.

ERRORS ON CLAIMS

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

- (1) Claims or invoices did not have evidence to support receipt of goods or services.
- (2) Fiscal officer did not certify that invoices or bills were true and correct.

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:

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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
- (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."

A similar comment was made in prior Reports B29594 and B33606.

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal portion and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

TELEGRAPH HILL-RYKERS RIDGE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2010, with Gary Maas, President of the Board of Trustees.