

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

EXAMINATION REPORT

OF

ARLINGTON REGIONAL WATER AND SEWER DISTRICT

HUNTINGTON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
12/28/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|-----------------|----------------------|
| Treasurer | Scott Trauner | 01-01-08 to 12-31-10 |
| President of the District Board | Paul Hart | 01-01-08 to 12-31-10 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ARLINGTON REGIONAL WATER
AND SEWER DISTRICT, HUNTINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Arlington Regional Water and 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 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

November 9, 2010

ARLINGTON REGIONAL WATER AND 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 | \$ 16,889 | \$ 41,195 | \$ 44,358 | \$ 13,726 |
| Water Bond and Interest | 3,388 | 14,184 | 14,045 | 3,527 |
| Wastewater Bond and Interest | 4,162 | 12,360 | 11,371 | 5,151 |
| Water Debt Service Reserve | 22,411 | 6,178 | - | 28,589 |
| Wastewater Debt Service Reserve | 17,414 | 4,562 | - | 21,976 |
| Totals | <u>\$ 64,264</u> | <u>\$ 78,479</u> | <u>\$ 69,774</u> | <u>\$ 72,969</u> |

| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
|---------------------------------|-------------------------------------|------------------|------------------|-------------------------------------|
| Proprietary Funds: | | | | |
| Operating | \$ 13,726 | \$ 40,264 | \$ 42,602 | \$ 11,388 |
| Water Bond and Interest | 3,527 | 14,184 | 13,733 | 3,978 |
| Wastewater Bond and Interest | 5,151 | 12,360 | 12,125 | 5,386 |
| Water Debt Service Reserve | 28,589 | 7,733 | - | 36,322 |
| Wastewater Debt Service Reserve | 21,976 | 5,712 | - | 27,688 |
| Totals | <u>\$ 72,969</u> | <u>\$ 80,253</u> | <u>\$ 68,460</u> | <u>\$ 84,762</u> |

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

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

ARLINGTON REGIONAL WATER AND 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 |
|-----------------------------------|--------------------------------|---|
| Proprietary activities: | | |
| Revenue bonds: | | |
| Waterworks Revenue Bonds | \$ 139,000 | \$ 2,711 |
| Sewage Works Revenue Bonds | <u>118,000</u> | <u>2,419</u> |
| Total proprietary activities debt | <u>\$ 257,000</u> | <u>\$ 5,130</u> |

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Arlington Regional Water and Sewer District does not use the following prescribed forms:

Form 352 Receipt
Form 353 Check
Form 354 Claim
Form 358 Ledger of Receipts, Disbursements and Balances

No forms used in lieu of any of these forms have been approved. The District does not issue any receipts or use claim forms. A similar comment appeared in prior Report B32000.

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)

INTEREST ON INVESTMENTS

The Arlington Regional Water and Sewer District has two investments. Interest earned on these investments was automatically added to the principal 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)

SUPPORTING DOCUMENTATION

There were 18 payments which did not contain adequate supporting documentation, such as receipts, invoices, and other public records. These payments were for legal fees, yard mowing fees, audit fees, and reimbursements to Board members. 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)

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

An examination of deposits to the bank disclosed that receipts were not being deposited timely. In some months, only one deposit was made. There were no deposits made for the month of December 2009.

IC 5-13-6-1(c) states in part:

"All local officers . . . who collect public funds of their respective political subdivisions, shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance."

BOARD MINUTES

Not all minutes of meetings of the governing body were available for examination.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes take, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2010, with Scott Trauner, Treasurer, and Paul Hart, President of the District Board.