

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

EXAMINATION REPORT
OF
SOUTH HENRY REGIONAL WASTEWATER DISTRICT
HENRY COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
01/06/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treatment Plant Superintendent	Jerry Libby	01-01-08 to 12-31-10
District Manager/Treasurer	Connie Stevens	01-01-08 to 12-31-10
President of the Board	Larry Protsman	01-01-08 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF SOUTH HENRY REGIONAL
WASTEWATER DISTRICT, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of South Henry Regional Wastewater 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 24, 2010

SOUTH HENRY REGIONAL WASTEWATER 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	\$ 140,715	\$ 725,843	\$ 656,050	\$ 210,508
Sinking	187,100	207,435	199,188	195,347
Depreciation	357,711	42,296	52,353	347,654
Debt Service	256,341	11,596	-	267,937
Construction	100,000	-	-	100,000
Totals	<u>\$ 1,041,867</u>	<u>\$ 987,170</u>	<u>\$ 907,591</u>	<u>\$ 1,121,446</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating	\$ 210,508	\$ 646,339	\$ 704,774	\$ 152,073
Sinking	195,347	204,511	198,426	201,432
Depreciation	347,654	39,936	15,062	372,528
Debt Service	267,937	7,967	-	275,904
Construction	100,000	-	-	100,000
Totals	<u>\$ 1,121,446</u>	<u>\$ 898,753</u>	<u>\$ 918,262</u>	<u>\$ 1,101,937</u>

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

SOUTH HENRY REGIONAL WASTEWATER 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 and treatment services for the residents of the Dunreith, Lewisville, Spiceland, Mays and Straughn communities.

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. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

SOUTH HENRY REGIONAL WASTEWATER 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:		
Treatment Plan and Collection System	<u>\$ 2,735,000</u>	<u>\$ 206,948</u>

SOUTH HENRY REGIONAL WASTEWATER DISTRICT
EXAMINATION RESULTS AND COMMENTS

TRAVEL POLICY

The travel policy for board members approved on December 11, 2007, allows for reimbursement of mileage to board members as permitted by the then current U.S. Internal Revenue Service regulations for reimbursement of mileage. This policy is in contradiction to IC 13-26-4-7(b).

IC 13-26-4-7(b) states: "Members of the board are entitled to receive an amount for travel expenses equal to the amount paid to state employees for expenses incurred in the performance of their duties."

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. When state statutes govern the amounts of allowable travel reimbursements, those statutes supersede local policy. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 14)

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 concerning optical imaging of checks states in part:

"(a) . . . "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 . . . "

Further, 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)."

CAPITAL ASSET RECORDS

Capital asset records were maintained but were not broken down by major asset categories.

Every governmental unit should have a complete inventory of all fixed assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable 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 Cities and Towns, Chapter 7)

SOUTH HENRY REGIONAL WASTEWATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 24, 2010, with Connie Stevens, District Manager/Treasurer, and Larry Protsman, President of the Board. The officials concurred with our findings.