

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

EXAMINATION REPORT
OF

WASHINGTON COUNTY SOLID WASTE
MANAGEMENT DISTRICT
WASHINGTON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
03/13/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Supplementary Information:	
Schedule of Capital Assets.....	6
Schedule of Long-Term Debt	7
Examination Results and Comments:	
Financing	8
Appropriations.....	8
Transaction Recording	8
Deposits.....	9
Federal and State Agencies – Compliance Requirements	9
Exit Conference.....	10
Official Response	11-12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	Albert M. Goering	01-01-06 to 12-31-08
Controller	Tamara Jo Elliott	01-01-06 to 12-31-08
President of the Board	Albert M. Goering Lana Sullivan	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WASHINGTON COUNTY SOLID WASTE
MANAGEMENT DISTRICT, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Washington County Solid Waste Management 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 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

February 11, 2008

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	<u>Cash and Investments 01-01-06</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-06</u>
Governmental Fund:				
Solid Waste Management (General)	\$ 313,895	\$ 1,379,807	\$ 1,239,660	\$ 454,042
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>Cash and Investments 01-01-07</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-07</u>
Governmental Funds:				
Solid Waste Management (General)	\$ 454,042	\$ 782,782	\$ 1,115,090	\$ 121,734
Rainy Day	-	18,651	-	18,651
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 454,042</u>	<u>\$ 801,433</u>	<u>\$ 1,115,090</u>	<u>\$ 140,385</u>

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

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides solid waste management 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. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the District in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively.

Note 5. 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 6. Interlocal Agreement

The District has an interlocal agreement with Washington County that allows employees of the District to be employees of Washington County. The District reimburses the County for all expenses including wages, taxes, benefits and other expenses.

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 231,820
Buildings	72,575
Improvements other than buildings	1,196,464
Machinery and equipment	<u>934,364</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 2,435,223</u>

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Solid Waste Management District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
816 Compactor	\$ 68,840	\$ 30,440
963 Loader	180,281	39,081
953 Loader	36,704	21,713
Notes and loans payable:		
Southwest property	145,010	14,817
Line of Credit	<u>625,714</u>	<u>*</u>
Total governmental activities debt	<u>\$ 1,056,549</u>	<u>\$ 106,051</u>

* The Line of Credit has been established since the year 2000 and is used to finance part of the comprehensive construction program at the landfill. Amounts paid on principal vary as monies are available.

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

FINANCING

In January 2000, the District passed a resolution authorizing the Controller to enter into a financing agreement with Mid-Southern Savings Bank. At that time, a line of credit was established at \$500,000 for a term of 10 years. The line of credit limit was subsequently increased to \$950,000, where it remained at December 31, 2007. The District has used this line of credit since January 2000 to finance the expansion and comprehensive construction of the landfill. The balance owed on this line of credit at December 31, 2007, is \$625,714 with an interest rate of 3.49%. We are not aware of any statutory authority which allows the District to obtain a line of credit or borrow money in this manner. No indication was found of actions to issue future revenue bonds.

Indiana Code 13-21-8-1 states: "A board may finance the cost of facilities by borrowing money and issuing revenue bonds under this chapter."

Indiana Code 13-21-11-1 states in part: "A district: (1) pending receipt of a grant; or (2) in anticipation of the issuance of bonds under this article; may borrow from any person and evidence the debt by a note or notes executed by the chairperson of the board and the controller of the district..."

APPROPRIATIONS

The District used a line of credit at Mid-Southern Bank to finance expansion and improvements to the landfill. Disbursements from this line of credit were approved by the Board, but were not appropriated. Unappropriated disbursements paid directly from the line of credit were \$346,058 in 2006 and \$39,257 in 2007.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TRANSACTION RECORDING

The District used a line of credit at Mid-Southern Bank to finance expansion and improvements to the landfill. Disbursements from this line of credit were approved by the Board, but were not posted to the financial records of the District. Transactions which were not recorded, included the unappropriated disbursements paid directly from the line of credit in the amount of \$346,058 in 2006 and \$39,257 in 2007.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10)

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

An analysis of deposits from July 1, 2007 to December 31, 2007 indicated that deposits were only being made from two to five times a month.

Indiana Code 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. . . ."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

As Manager of the District, Albert M. Goering is provided with a vehicle to drive back and forth to work. However, this fringe benefit was not reported on a W-2 tax form for 2006 or 2007.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WASHINGTON COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 11, 2008, with Tamara Jo Elliott, Controller; Albert M. Goering, Manager; and Lana Sullivan, President of the Board. The official response has been made a part of this report and may be found on pages 11 and 12.

WASHINGTON COUNTY SOLID WASTE
MANAGEMENT DISTRICT
99 Public Square, Suite 6
Salem, Indiana 47167

March 10, 2008

OFFICIAL RESPONSE TO THE WASHINGTON COUNTY SOLID WASTE
MANAGEMENT DISTRICT AUDIT FROM
January 1, 2006 – December 31, 2007

Comes now, Lana Sullivan Washington Co. SWMD President, Mike Goering Washington Co. SWMD Board Member, and Tamara Elliott, Controller for the Washington Co. SWMD, and in response to the audit filed herein, reports as follows:

1. That the sums of money borrowed from Mid-Southern Savings Bank as outlined in the comments of the audit were borrowed pursuant to I.C. 13-21-11-1, which states as follows:

“A district: (1) pending a receipt of a grant; or (2) in anticipation of the issuance of bonds under this article; may borrow money from any person and evidence the debt by a note or notes executed by the chairperson of the board and the controller of the district...”

These funds are part of the comprehensive construction program which anticipates the securing of permanent financing of the capital construction in anticipation of either the issuance of bonds or permanent financing, otherwise, to be issued by the State Tax Control Board.

As authorized by statute, the anticipation of permanent financing required under the anticipated issuance of bonds is determined upon solid waste management district revenues as the ongoing project is developed. I.C. 13-21-8 authorizes this expenditure by stating as follows:

“A board may finance the cost of facilities by borrowing money and issuing revenue bonds under this chapter”

On February 12, 2008, the Washington County Solid Waste District closed the credit line which existed with Mid-Southern Savings Bank.

2. Transactions from the line of credit were recorded in a separate ledger other than the general ledger due to the fact that the bank payments for the line of credit were appropriated and documented in the general ledger. This was the recommendation from the State Board of Accounts because otherwise, it would indicate a double payment for a single item. The procedure recommended in this audit contradicts the recommended procedure in the 2004 audit for 2001, 2002, and 2003. The procedure implemented in 2004 was acceptable to the State Board of Accounts in the 2004 and 2005 audit, which was the audit immediately preceding the current audit.

3. Beginning in 2009, for year of 2008, the Washington County Solid Waste District will issue a 1099 for the vehicle which is provided to the manager by the Solid Waste District. The Wash. Co. Solid Waste District does not have the ability to include this information on a W-2 tax form. However, for 2006 and 2007, Manager Goering has reported vehicle compensation on his Federal Tax return.

Respectfully,



Michael Goering
Wash. Co. SWMD Board Member
Manager/Engineer



Tammy Elliott, Controller
Wash. Co. SWMD