

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

EXAMINATION REPORT
OF
ELKHART COUNTY REGIONAL SEWER DISTRICT
ELKHART COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/15/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|---------------------------------|--------------------------------------|--|
| Project Manager | Kristine A. Krueger | 01-01-08 to 12-31-10 |
| Treasurer | Glenn L. Duncan Thomas Holtzinger | 01-01-08 to 01-07-09 01-08-09 to 12-31-10 |
| President of the District Board | Scott Robinia | 01-01-08 to 12-31-10 |



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ELKHART COUNTY REGIONAL
SEWER DISTRICT, ELKHART COUNTY, INDIANA

We have examined the financial information presented herein of the Elkhart County 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 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

September 7, 2010

ELKHART COUNTY 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 the following services: collection, treatment, disposal of sewage and other liquid waste, and 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. Budgets

The operating budget is initially prepared and approved at the local level.

Note 4. 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 5. Subsequent Event

On March 13, 2010, the District Board approved expansion of the district to include all areas of the county not served by municipal utilities as requested by the Elkhart County Board of Commissioners.

ELKHART COUNTY REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Regional Sewer District has entered into the following debt:

| Description of Debt | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------------------|--------------------------------|---|
| Business-type activities: | | |
| Notes and loans payable | | |
| Rural Development Loan 92-01 | \$ 1,087,666 | \$ 60,624 |
| Rural Development Loan 92-02 | <u>342,000</u> | <u>18,108</u> |
| Total business-type activities debt | <u>\$ 1,429,666</u> | <u>\$ 78,732</u> |

ELKHART COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Sewer District does not maintain detailed records of capital assets.

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 every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

UTILITY LATE FEES

Instances were noted where penalties on utility late fees were charged contrary to Rate Ordinance 090606. Specifically, a 10% penalty was charged on late bills and Ordinance 090606, Section 4 (c) states: "All bills not paid within 17 days after the bill is mailed shall become delinquent and the late payment charge may be added to each delinquent bill in the amount of 10% of the first \$3.00 and 3% of the remainder of any past due balance."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Manual for Special Districts, Chapter 10)

ANNUAL FINANCIAL REPORT

The information presented in the Annual Financial Reports for 2008 and 2009 was presented by bank account and not by fund and, therefore, was not representative of the fund activity of the Sewer District.

Governmental units should file accurate reports required by federal and state agencies. (Accounting and Uniform Compliance Manual for Special Districts, Chapter 10)

ELKHART COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2010, with Thomas Holtzinger, Treasurer, and Kristine A. Krueger, Project Manager. The officials concurred with our findings.