

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

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



**FILED**  
11/19/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Clerk	Linda L. Kiester	01-01-08 to 12-31-10
President of the Board	Lon A. Vandergrift	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 SKINNER LAKE REGIONAL  
SEWER DISTRICT, NOBLE COUNTY, INDIANA

We have examined the financial information presented herein of the Skinner Lake 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

September 13, 2010

SKINNER LAKE 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	\$ 32,529	\$ 78,901	\$ 96,051	\$ 15,379
Bond and Interest	14,460	49,000	37,225	26,235
Reserve	30,720	3,840	-	34,560
Improvement	20,225	-	-	20,225
	<u>97,934</u>	<u>131,741</u>	<u>133,276</u>	<u>96,399</u>
Totals	<u>\$ 97,934</u>	<u>\$ 131,741</u>	<u>\$ 133,276</u>	<u>\$ 96,399</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
Operating	\$ 15,379	\$ 88,512	\$ 103,020	\$ 871
Bond and Interest	26,235	48,258	37,753	36,740
Reserve	34,560	2,880	485	36,955
Improvement	20,225	-	11,292	8,933
	<u>96,399</u>	<u>139,650</u>	<u>152,550</u>	<u>83,499</u>
Totals	<u>\$ 96,399</u>	<u>\$ 139,650</u>	<u>\$ 152,550</u>	<u>\$ 83,499</u>

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

SKINNER LAKE 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 and disposal 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.

SKINNER LAKE REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 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:	
Capital assets, not being depreciated:	
Land	\$ 7,788
Buildings	133,763
Improvements other than buildings	1,398,570
Machinery and equipment	<u>6,717</u>
Total business-type activities, capital assets	<u><u>\$ 1,546,838</u></u>

SKINNER LAKE REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Sewer District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Revenue bonds:		
\$685,000 1997 Sewage Works Improvements	\$ 589,000	\$ 36,763

SKINNER LAKE REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORTS

Annual reports (SDAR-1) for 2008 and 2009 were not prepared and filed with the state examiner. Additionally, the annual report for 2009 was not filed electronically as required. A similar comment in Report B33178.

IC 5-11-1-4 states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and 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 . . ."

OPTICAL IMAGES OF CHECKS

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)."

SKINNER LAKE REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on September 13, 2010, with Linda L. Kiester, Financial Clerk. The official concurred with our findings.