

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

EXAMINATION REPORT  
OF  
SCOTT COUNTY REGIONAL SEWER DISTRICT  
SCOTT COUNTY, INDIANA  
January 1, 2008 to December 31, 2010



**FILED**  
11/09/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sharon Schmittler Clara Adkins	01-01-08 to 12-31-08 01-01-09 to 12-31-11
President of the Board of Trustees	Larry E. Bower Joe Gibson	01-01-08 to 05-31-11 06-01-11 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial statements of the Scott County Regional Sewer District (District), for the period of January 1, 2008 to December 31, 2010. The District's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2008, 2009, and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. The Combining Schedule of Receipts, Disbursements and Cash and Investment Balances – Regulatory Basis were not presented for the year ended December 31, 2008.

This report is intended solely for the information and use of the District's management and Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 31, 2011

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FINANCIAL STATEMENTS

SCOTT COUNTY REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2008

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Operating	\$ 43,082	\$ 257,508	\$ 212,000	\$ 88,590
Bond and Interest	<u>140,523</u>	<u>57,313</u>	<u>54,788</u>	<u>143,048</u>
Totals	<u>\$ 183,605</u>	<u>\$ 314,821</u>	<u>\$ 266,788</u>	<u>\$ 231,638</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Operating	\$ 88,590	\$ 230,403	\$ 200,052	\$ 118,941
Bond and Interest	143,048	53,618	51,535	145,131
Totals	<u>\$ 231,638</u>	<u>\$ 284,021</u>	<u>\$ 251,587</u>	<u>\$ 264,072</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	\$ 118,941	\$ 355,308	\$ 300,229	\$ 174,020
Bond and Interest	145,131	109,530	107,558	147,103
Bond and Interest BNYMTC	-	10,720	-	10,720
Debt Service Reserve BNYMTC	-	31,255	-	31,255
Construction In Progress	-	266,109	266,109	-
Construction Escrow BNYMTC	-	62,589	-	62,589
Totals	<u>\$ 264,072</u>	<u>\$ 835,511</u>	<u>\$ 673,896</u>	<u>\$ 425,687</u>

The notes to the financial statements are an integral part of this statement.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statements present the financial information for the District (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the District. It includes all expenditures for the reduction of the principal and interest of the District's indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The District may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the District. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the District. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the District in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 3. Risk Management**

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the District by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

SCOTT COUNTY REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 December 31, 2009

	<u>Operating</u>	<u>Bond and Interest</u>	<u>Totals</u>
Cash and investments - beginning	\$ 88,590	\$ 143,048	\$ 231,638
Receipts:			
Utility fees	229,980	-	229,980
Other receipts	<u>423</u>	<u>53,618</u>	<u>54,041</u>
Total receipts	<u>230,403</u>	<u>53,618</u>	<u>284,021</u>
Disbursements:			
Debt service - principal and interest	-	51,535	51,535
Utility operating expenses	148,517	-	148,517
Other disbursements	<u>51,535</u>	<u>-</u>	<u>51,535</u>
Total disbursements	<u>200,052</u>	<u>51,535</u>	<u>251,587</u>
Excess (deficiency) of receipts over disbursements	<u>30,351</u>	<u>2,083</u>	<u>32,434</u>
Cash and investments - ending	<u>\$ 118,941</u>	<u>\$ 145,131</u>	<u>\$ 264,072</u>

SCOTT COUNTY REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Operating	Bond and Interest	Bond and Interest BNYMTC	Debt Service Reserve BNYMTC	Construction In Progress	Construction Escrow BNYMTC	Totals
Cash and investments - beginning	\$ 118,941	\$ 145,131	\$ -	\$ -	\$ -	\$ -	\$ 264,072
Receipts:							
Utility fees	261,194	-	-	-	-	-	261,194
Other receipts	94,114	109,530	10,720	31,255	266,109	62,589	574,317
Total receipts	355,308	109,530	10,720	31,255	266,109	62,589	835,511
Disbursements:							
Debt service - principal and interest	-	107,558	-	-	-	-	107,558
Capital outlay	-	-	-	-	266,109	-	266,109
Utility operating expenses	150,698	-	-	-	-	-	150,698
Other disbursements	149,531	-	-	-	-	-	149,531
Total disbursements	300,229	107,558	-	-	266,109	-	673,896
Excess of receipts over disbursements	55,079	1,972	10,720	31,255	-	62,589	161,615
Cash and investments - ending	\$ 174,020	\$ 147,103	\$ 10,720	\$ 31,255	\$ -	\$ 62,589	\$ 425,687

SCOTT COUNTY REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Loans:		
Line of Credit	\$ 10,592	\$ 7,022
Revenue bonds:		
Sewage Works Refunding Revenue Bonds of 2001	205,000	6,141
Sewage Works Revenue Bonds of 2001	198,000	12,820
Sewage Works Revenue Bonds of 2010*	<u>266,109</u>	<u>15,862</u>
Total debt	<u>\$ 679,701</u>	<u>\$ 41,845</u>

\*The District issued debt through the State Revolving Loan Fund in 2010. The debt was approved in the amount of \$965,000 however as of December 31, 2010, only \$266,109 had been drawn down.

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

***INVESTING PROCEDURES***

No record of quotes taken for investment in certificates of deposit was presented for examination.

Indiana Code 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. If the deposit is not placed in the designated depository quoting the highest rate of interest, the investing officer shall:

- (1) place the deposit in the depository quoting the second or third highest rate of interest; and
- (2) note the reason for placing the deposit on the memorandum of quotes."

A similar comment was reported in prior Reports B29610 and B33848.

***BOARD MINUTES NOT SIGNED BY TRUSTEES***

The Board minutes reviewed for the years 2008, 2009, and 2010 did not contain the signatures of the Trustees documenting their approval of those minutes.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**BOARD COMPENSATION**

Board members were paid yearly compensation ranging from \$750 to \$975 for the examination period. No documentation was presented for examination showing (1) the Board member's daily rate of pay; (2) an itemization of the specific days worked; and (3) a description of the work performed for each day.

Indiana Code 13-26-4-7(a) states:

"The board of a district may provide for the payment of not more than fifty dollars (\$50) per day to members of the board for each day or major part of a day devoted to the work of the district."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

**CAPITAL ASSET RECORDS**

District officials presented information showing the District had capital assets totaling \$3,165,217 as of December 31, 2010. District officials stated the District's capital assets consist primarily of infrastructure type assets. However, a detailed listing of the District's infrastructure assets by cost and location was not presented for examination.

A capitalization policy which sets a dollar amount as a threshold to be used in determining which items will be recorded was not presented for examination.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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 Special Districts, Chapter 10)

SCOTT COUNTY REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2011, with Clara Adkins, Treasurer, and Joe Gipson, President of the Board of Trustees. The officials concurred with our findings.