

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF

SHELBY COUNTY SOLID WASTE
MANAGEMENT DISTRICT
SHELBY COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
11/29/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Examination Results and Comments:	
County Ordinance and District Compliance Officer	16
Federal and State Agencies - Compliance Requirements	16-17
Internal Controls	17
Exit Conference.....	18

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Rick Diefenderfer Lisa Carpenter	01-01-09 to 01-31-09 02-01-09 to 12-31-11
Fiscal Officer	Nora VanNatta	01-01-09 to 12-31-11
Chairman of the Board	Dick Fero Tony Newton	01-01-09 to 12-31-09 01-01-10 to 12-31-11



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 SHELBY COUNTY SOLID WASTE
MANAGEMENT DISTRICT, SHELBY COUNTY, INDIANA

We have examined the financial statements of Shelby County Solid Waste Management District (District), for the period of January 1, 2009 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, 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, 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.

This report is intended solely for the information and use of the District's management, the Board, 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

October 5, 2011

(This page intentionally left blank.)

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the District. The financial statements and notes are presented as intended by the District.

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 As Of and For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Solid Waste Management	\$ 639,216	\$ 396,305	\$ 334,840	\$ 700,681

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

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 As Of and For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Solid Waste Management	\$ 700,681	\$ 502,439	\$ 335,377	\$ 867,743

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

SHELBY COUNTY SOLID WASTE MANAGEMENT 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), and does not include financial information for any of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of 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:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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 general obligation indebtedness.

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

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.

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. 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.

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 5. 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.

(This page intentionally left blank.)

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/.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the District which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the District. It is presented as intended by the District.

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	<u>Solid Waste Management</u>
Cash and investments - beginning	<u>\$ 639,216</u>
Receipts:	
Taxes	167,305
Intergovernmental	24,953
Charges for services	174,698
Other receipts	<u>29,349</u>
Total receipts	<u>396,305</u>
Disbursements:	
Personal services	61,797
Supplies	20,249
Other services and charges	208,596
Other disbursements	<u>44,198</u>
Total disbursements	<u>334,840</u>
Excess (deficiency) of receipts over disbursements	<u>61,465</u>
Cash and investments - ending	<u><u>\$ 700,681</u></u>

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	<u>Solid Waste Management</u>
Cash and investments - beginning	<u>\$ 700,681</u>
Receipts:	
Taxes	274,898
Intergovernmental	32,780
Charges for services	183,971
Other receipts	<u>10,790</u>
Total receipts	<u>502,439</u>
Disbursements:	
Personal services	68,874
Supplies	6,924
Other services and charges	231,769
Other disbursements	<u>27,810</u>
Total disbursements	<u>335,377</u>
Excess (deficiency) of receipts over disbursements	<u>167,062</u>
Cash and investments - ending	<u><u>\$ 867,743</u></u>

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

COUNTY ORDINANCE AND DISTRICT COMPLIANCE OFFICER

Ordinance No. 2009-11, adopted by the Shelby County Commissioners on July 20, 2009, establishes processes and procedures "to control improper solid waste disposal, to define nuisance solid waste accumulation, illegal dumping, and littering, to establish violations thereof, to assess penalties with regard thereto, and to provide for the abatement and/or clean up of materials improperly accumulated, stored or disposed of in Shelby County, Indiana."

In accordance with the ordinance, a "Compliance Officer" of the Shelby County Solid Waste Management District (District), in cooperation with the Shelby County Solid Waste District Compliance Board, appointed by the District Board of Directors, is to: investigate complaints or reports regarding alleged violations as identified in the ordinance; issue warnings or citations; order the abatement of nuisance solid waste accumulation, illegal dumping and littering; and issue fines. Additionally, per the ordinance, costs of abatement incurred by the County or the District become a lien on the property in question.

The ordinance references Indiana Code (IC) 36-1-6 (Enforcement of Ordinances). Indiana Code 36-1-6-2 states in part: "If a condition violating an ordinance of a municipal corporation exists on real property, employees or contractors of a municipal corporation may enter onto that property and take appropriate action to bring the property into compliance with the ordinance."

The District is not an employee of the County and we have not been presented with any information to indicate that the District has contracted with the County to enforce the ordinance.

Additionally, the ordinance states: "All monies collected through the enforcement of this ordinance shall be placed in a Non-Reverting Solid Waste Clean Up Fund in the form of an appropriation from the general fund pursuant to Indiana Code 36-7-10.1-4 and 36-7-10.1-5 and shall be dispersed through the Shelby County Solid Waste Management District for the enforcement of this ordinance."

Any fees collected have been receipted to the operating fund of the District, from which all District expenses are paid. No separate Non-Reverting Solid Waste Clean Up Fund has been created.

We recommend that District officials take corrective action with regard to the receipt of fees generated through the activities authorized in the ordinance. Additionally, we recommend District officials confer with Shelby County officials to assess possible conflicts or inconsistencies between state law and the provisions of County Ordinance 2009-11.

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Solid Waste Management District staff members were each paid for services on a contractual basis for the years 2009 and 2010. No payroll deductions for employee taxes were made. The District issued IRS Form 1099s for these individuals. A similar comment appeared in the prior report.

In 2010, the District contracted with CGS, Inc., to provide a CGS, Inc., employee to be the District's Director. As a result, those payments were made directly to CGS, Inc., for the Director's services. No payroll taxes would be withheld from these payments.

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

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)

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The Fiscal Officer works out of her home and keeps the financial records there. The Director prepares the claims and gives them to the Fiscal Officer to pay. The Fiscal Officer writes the checks, signs the checks, posts the ledger, mails the checks, and reconciles the bank account. She prepares a monthly financial report for the Board; however, no one reviews the actual financial ledger or reviews her bank reconciliements.

At a minimum, someone should review the ledger, the bank statements, and the bank reconciliation on a regular basis, and document what that review was (example: what documents were reviewed, date reviewed, who did it).

The Fiscal Officer maintains a financial ledger; however, she does not maintain a detailed ledger by appropriation. The Director keeps an Excel spreadsheet by appropriation with the expenditures posted in total for each individual month; however, there is no detailed information regarding what checks were posted to each appropriation. This spreadsheet has not, but should be, considered to be part of the financial ledger for the appropriation balances and detail; therefore, it has not been used to prepare the annual report. The amounts as reported on the annual report agree in total to the appropriation spreadsheet; however, the expenditure breakdown by the major categories of appropriations (personal services, supplies, other services and charges, and capital outlays) did not agree to the breakdown by expenditure on the annual report.

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 7)

SHELBY COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 20, 2011, with Nora VanNatta, Fiscal Officer; Lisa Carpenter, Director; and Tony Newton, Chairman of the Board.