

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

JACKSON COUNTY REGIONAL SEWAGE DISTRICT

JACKSON COUNTY, INDIANA

January 1, 2010 to December 31, 2010



FILED
02/14/2012

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Dan Robertson	01-01-10 to 12-31-12
Treasurer	Marvin Huffman	01-01-10 to 12-31-12
President of the Board of Trustees	Brian Wolka Thomas Goecker	01-01-10 to 11-22-11 11-23-11 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE JACKSON COUNTY REGIONAL
SEWAGE DISTRICT, JACKSON COUNTY, INDIANA

We have examined the financial statement of the Jackson County Regional Sewage District (District), for the period of January 1, 2010 to December 31, 2010. The District's management is responsible for the financial statement. 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 statement 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 statement 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 statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

January 23, 2011

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FINANCIAL STATEMENT

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

JACKSON COUNTY REGIONAL SEWAGE 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	\$ 17,120	\$ 445,223	\$ 406,436	\$ 55,907
Bond and Interest - South Seymour	5,958	29,256	29,200	6,014
Bond and Interest - Freetown	2,395	12,988	13,060	2,323
Bond and Interest - 2003 Bond	17,112	45,947	45,470	17,589
Depreciation	78,251	209	10,000	68,460
Debt Service Reserve - South Seymour	31,629	63	-	31,692
Debt Service Reserve - Freetown	13,532	27	-	13,559
Debt Service Reserve - 2003 Bond	48,464	97	-	48,561
2010 South Seymour Construction	-	50	-	50
Totals	<u>\$ 214,461</u>	<u>\$ 533,860</u>	<u>\$ 504,166</u>	<u>\$ 244,155</u>

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

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
NOTES TO FINANCIAL STATEMENT

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 statement presents 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 statement is 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 statement. 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 statement. 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 general obligation indebtedness.

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

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. 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 Report 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 statement contained in this report and the financial information presented in the Annual Report of the District which is 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 approved by management of the District. It is presented as intended by the District.

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

	Operating	Bond and Interest - South Seymour	Bond and Interest - Freetown	Bond and Interest - 2003 Bond	Depreciation
Cash and investments - beginning	\$ 17,120	\$ 5,958	\$ 2,395	\$ 17,112	\$ 78,251
Receipts:					
Utility fees	425,197	-	-	-	-
Other receipts	20,026	29,256	12,988	45,947	209
Total receipts	445,223	29,256	12,988	45,947	209
Disbursements:					
Debt service - principal and interest	-	29,200	13,060	45,470	-
Utility operating expenses	318,340	-	-	-	-
Other disbursements	88,096	-	-	-	10,000
Total disbursements	406,436	29,200	13,060	45,470	10,000
Excess (deficiency) of receipts over disbursements	38,787	56	(72)	477	(9,791)
Cash and investments - ending	\$ 55,907	\$ 6,014	\$ 2,323	\$ 17,589	\$ 68,460

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Debt Service Reserve - South Seymour	Debt Service Reserve - Freetown	Debt Service Reserve - 2003 Bond	2010 South Seymour Construction	Totals
Cash and investments - beginning	\$ 31,629	\$ 13,532	\$ 48,464	\$ -	\$ 214,461
Receipts:					
Utility fees	-	-	-	-	425,197
Other receipts	63	27	97	50	108,663
Total receipts	63	27	97	50	533,860
Disbursements:					
Debt service - principal and interest	-	-	-	-	87,730
Utility operating expenses	-	-	-	-	318,340
Other disbursements	-	-	-	-	98,096
Total disbursements	-	-	-	-	504,166
Excess (deficiency) of receipts over disbursements	63	27	97	50	29,694
Cash and investments - ending	\$ 31,692	\$ 13,559	\$ 48,561	\$ 50	\$ 244,155

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

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>
Capital assets, not being depreciated:	
Land	\$ 34,435
Improvements other than buildings	4,614,340
Machinery and equipment	94,469
Transportation equipment	<u>83,391</u>
Total capital assets not being depreciated	<u>\$ 4,826,635</u>

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Revenue bonds:			
1977 Sewage works revenue bonds	\$ 72,000	\$ 12,600	Bond and Interest - Freetown
1981 Sewage works revenue bonds	227,000	29,350	Bond and Interest - South Seymour
2003 Sewage works revenue bonds	<u>334,000</u>	<u>45,195</u>	Bond and Interest - 2003 Bond
Total debt	<u>\$ 633,000</u>	<u>\$ 87,145</u>	

JACKSON COUNTY REGIONAL SEWAGE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on January 23, 2012, with Dan Robertson, Superintendent. Our examination disclosed no material items that warrant comment at this time.