

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TAYLOR REGIONAL SEWER DISTRICT

HOWARD COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/12/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia Swavey	01-01-10 to 12-31-12
President of the Board	Russell Adair Jr.	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF TAYLOR REGIONAL SEWER DISTRICT, HOWARD COUNTY, INDIANA

We have examined the accompanying financial statements of Taylor Regional Sewer District (District), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, 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, District Board, and others within the entity 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 22, 2012

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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.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Wastewater Operating	\$ 12,234	\$ 369,103	\$ 345,328	\$ 36,009
Wastewater Sinking Account	84,322	189,145	200,332	73,135
Wastewater Debt Service Reserve Account	196,492	7,047	2,883	200,656
Wastewater Operating-Business Savings	-	34,217	-	34,217
Totals	<u>\$ 293,048</u>	<u>\$ 599,512</u>	<u>\$ 548,543</u>	<u>\$ 344,017</u>

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

TAYLOR REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Wastewater Operating	\$ 36,009	\$ 372,225	\$ 380,379	\$ 27,855
Wastewater Operating-Business Savings	34,217	9,079	15,425	27,871
Wastewater Debt Service Reserve Account	200,656	252	527	200,381
Wastewater Sinking Account	73,135	227,425	246,101	54,459
Totals	<u>\$ 344,017</u>	<u>\$ 608,981</u>	<u>\$ 642,432</u>	<u>\$ 310,566</u>

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

TAYLOR 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.

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 include 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.

TAYLOR REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

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. 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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 approved by management of the District. It is presented as intended by the District.

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

	Wastewater Operating	Wastewater Sinking Account	Wastewater Debt Service Reserve Account	Wastewater Operating-Business Savings	Totals
Cash and investments - beginning	\$ 12,234	\$ 84,322	\$ 196,492	\$ -	\$ 293,048
Receipts:					
Utility fees	369,072	-	-	-	369,072
Other receipts	31	189,145	7,047	34,217	230,440
Total receipts	<u>369,103</u>	<u>189,145</u>	<u>7,047</u>	<u>34,217</u>	<u>599,512</u>
Disbursements:					
Utility operating expenses	307,326	151,750	-	-	459,076
Other disbursements	38,002	48,582	2,883	-	89,467
Total disbursements	<u>345,328</u>	<u>200,332</u>	<u>2,883</u>	<u>-</u>	<u>548,543</u>
Excess (deficiency) of receipts over disbursements	<u>23,775</u>	<u>(11,187)</u>	<u>4,164</u>	<u>34,217</u>	<u>50,969</u>
Cash and investments - ending	<u>\$ 36,009</u>	<u>\$ 73,135</u>	<u>\$ 200,656</u>	<u>\$ 34,217</u>	<u>\$ 344,017</u>

TAYLOR REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
 REGULATORY BASIS
 For The Year Ended December 31, 2011

	Wastewater Operating	Wastewater Operating-Business Savings	Wastewater Debt Service Reserve Account	Wastewater Sinking Account	Totals
Cash and investments - beginning	\$ 36,009	\$ 34,217	\$ 200,656	\$ 73,135	\$ 344,017
Receipts:					
Other receipts	372,225	9,079	252	227,425	608,981
Total receipts	372,225	9,079	252	227,425	608,981
Disbursements:					
Utility operating expenses	373,401	15,425	-	-	388,826
Other disbursements	6,978	-	527	246,101	253,606
Total disbursements	380,379	15,425	527	246,101	642,432
Deficiency of receipts over disbursements	(8,154)	(6,346)	(275)	(18,676)	(33,451)
Cash and investments - ending	\$ 27,855	\$ 27,871	\$ 200,381	\$ 54,459	\$ 310,566

TAYLOR REGIONAL SEWER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Wastewater	969	-
Totals	\$ 969	\$ -

TAYLOR REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	State Revolving Fund - Construction loan	\$ 3,402,918	\$ 200,331
Totals		<u>\$ 3,402,918</u>	<u>\$ 200,331</u>

TAYLOR REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Total governmental activities	-
Wastewater:	
Land	71,000
Infrastructure	31,500
Machinery, equipment and vehicles	200,000
Total Wastewater	302,500
Total capital assets	\$ 302,500

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

MILEAGE REIMBURSEMENT

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101. Detail was provided showing the actual miles traveled and rate reimbursed.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

ADVANCE PAYMENTS

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services. The Regional Sewer District is pre-paying money into an escrow account at the County Recorder's office. When the district files liens or releases liens the charges for those transactions are taken from the Districts prepaid account. As the account balance gets low, the District remits additional money to the account.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 10)

ERRORS ON CLAIMS

The following deficiency was noted on claims during the examination period:

All claims did not have board approval.

TAYLOR REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

ANNUAL REPORT

An annual report for 2011 was not filed timely.

Indiana Code 5-11-1-4(a) 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."

TAYLOR REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2012, with Patricia Swavey, Treasurer, and Russell Adair Jr., President of the Board. The officials concurred with our findings.