

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

SUMMIT SPRINGS REGIONAL WASTE DISTRICT

HENRY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/28/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Jerry Sherwood	01-01-10 to 12-31-12
Treasurer	Amanda Sorrell	01-01-10 to 12-31-12
President of the Board	Dennis Crum	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE SUMMIT SPRINGS REGIONAL
WASTE DISTRICT, HENRY COUNTY, INDIANA

We have examined the accompanying financial statements of the Summit Springs Regional Waste 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.

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

October 18, 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.

SUMMIT SPRINGS REGIONAL WASTE 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
Operations	\$ 68,305	\$ 183,180	\$ 231,994	\$ 19,491
Fmha	101,224	27,667	25,650	103,241
Depreciation	33,424	18,000	31,195	20,229
Srf	9,258	24,000	21,685	11,573
Customer Deposits	1,227	-	1,227	-
Payroll	-	49,308	49,308	-
Improvement	-	26,796	-	26,796
Totals	<u>\$ 213,438</u>	<u>\$ 328,951</u>	<u>\$ 361,059</u>	<u>\$ 181,330</u>

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

SUMMIT SPRINGS REGIONAL WASTE 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
Depreciation	\$ 20,229	\$ 12,000	\$ 7,761	\$ 24,468
Fmha	103,241	23,054	50,900	75,395
Improvement Fund	26,796	25,230	-	52,026
Operations	19,491	164,395	181,001	2,885
Payroll	-	53,238	53,238	-
Srf	11,573	18,000	21,686	7,887
Totals	<u>\$ 181,330</u>	<u>\$ 295,917</u>	<u>\$ 314,586</u>	<u>\$ 162,661</u>

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

SUMMIT SPRINGS REGIONAL WASTE 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 may include the following sources:

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 could include federal grants, state grants, and local grants.

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

Penalties which include fees received for late payments.

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 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.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. 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. Prior to December 31, the governing board approves the budget for the next year.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 3. *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 4. *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.

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.

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

	Operations	Fmha	Depreciation	Srf	Customer Deposits	Payroll	Improvement	Totals
Cash and investments - beginning	\$ 68,305	\$ 101,224	\$ 33,424	\$ 9,258	\$ 1,227	\$ -	\$ -	\$ 213,438
Receipts:								
Utility fees	171,521	-	-	-	-	-	-	171,521
Other receipts	11,659	27,667	18,000	24,000	-	49,308	26,796	157,430
Total receipts	183,180	27,667	18,000	24,000	-	49,308	26,796	328,951
Disbursements:								
Debt service - principal and interest	-	25,650	-	21,685	-	-	-	47,335
Capital outlay	-	-	31,195	-	-	-	-	31,195
Utility operating expenses	69,686	-	-	-	-	49,308	-	118,994
Other disbursements	162,308	-	-	-	1,227	-	-	163,535
Total disbursements	231,994	25,650	31,195	21,685	1,227	49,308	-	361,059
Excess (deficiency) of receipts over disbursements	(48,814)	2,017	(13,195)	2,315	(1,227)	-	26,796	(32,108)
Cash and investments - ending	\$ 19,491	\$ 103,241	\$ 20,229	\$ 11,573	\$ -	\$ -	\$ 26,796	\$ 181,330

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Depreciation	Fmha	Improvement Fund	Operations	Payroll	Srf	Totals
Cash and investments - beginning	\$ 20,229	\$ 103,241	\$ 26,796	\$ 19,491	\$ -	\$ 11,573	\$ 181,330
Receipts:							
Charges for services	-	-	-	164,395	-	-	164,395
Other receipts	12,000	23,054	25,230	-	53,238	18,000	131,522
Total receipts	12,000	23,054	25,230	164,395	53,238	18,000	295,917
Disbursements:							
Personal services	-	-	-	53,238	-	-	53,238
Supplies	7,761	-	-	11,198	-	-	18,959
Other services and charges	-	-	-	65,865	-	-	65,865
Debt service - principal and interest	-	25,900	-	-	-	21,686	47,586
Other disbursements	-	25,000	-	50,700	53,238	-	128,938
Total disbursements	7,761	50,900	-	181,001	53,238	21,686	314,586
Excess (deficiency) of receipts over disbursements	4,239	(27,846)	25,230	(16,606)	-	(3,686)	(18,669)
Cash and investments - ending	\$ 24,468	\$ 75,395	\$ 52,026	\$ 2,885	\$ -	\$ 7,887	\$ 162,661

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 3,050</u>	<u>\$ 21,071</u>

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	FMHA	\$ 182,000	\$ 26,100
Revenue bonds	SRF	<u>192,040</u>	<u>3,649</u>
Totals		<u>\$ 374,040</u>	<u>\$ 29,749</u>

SUMMIT SPRINGS REGIONAL WASTE 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:	
Land	\$ 120,448
Infrastructure	600,000
Buildings	544,850
Machinery, equipment and vehicles	34,200
Total governmental activities	1,299,498
Total capital assets	\$ 1,299,498

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The Ledger used by the district does not have any classification of any receipt or disbursement categories. Receipts are posted by fund with the notations shown as "Date of Deposit" and "Amount". Disbursements are posted by fund with the notations shown as "Date", "Check Number", and "Amount". At the end of the year the deposits and checks are footed for the five funds that are maintained in the ledger.

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 Cities and Towns, Chapter 7)

CONDITION OF RECORDS

Financial records presented for audit were incomplete and contained several errors and/or omissions:

1. Not all funds were on the ledgers. The "Customer Deposit" and the "Improvement" Funds were omitted.
2. There were several posting errors. A receipt for \$2,300 for the FMHA Fund was posted as \$23,000. Another receipt for \$2,300 to the FMHA was not posted. A loan payment of \$25,900, which was taken automatically from the bank account, was not posted to the FMHA Fund in the ledger.
3. Some transfers were not posted. \$50,000 was shown receipted into the "Improvement" Fund with no notation to show how that amount was placed in the fund.
4. Beginning balances did not always agree with the prior year's ending balances. For example, the "Operating Fund" had a balance of \$68,304.78 at December 31, 2009. As of January 1, 2010, the same fund showed a balance of \$43,304.78.
5. The Accounts Receivable balances are not maintained in the Consumer Ledger for Utilities.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The District does not maintain sufficiently detailed records of capital assets for its Utility Plant in Service accounts. Records providing historical costs or estimated historical costs for some of the District's capital assets are incomplete. Deletions or disposals of capital assets have not been properly recorded. A similar comment appeared in Report B30866.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUMMIT SPRINGS REGIONAL WASTE DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2012, with Amanda Sorrell, Treasurer, and Dennis Crum, President of the Board.