

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF
WABASH COUNTY SOLID WASTE MANAGEMENT DISTRICT
WABASH COUNTY, INDIANA
January 1, 2010 to December 31, 2011



FILED
01/16/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Examination Results and Comments:	
Prescribed Forms	18
Annual Report.....	18
Appropriations.....	18
Service and Time Records	18
Post Dating of Checks	18
Exit Conference.....	19
Official Response	20-21

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Steve I. Johnson Jeniece Rankin (Interim) Jeniece Rankin	01-01-10 to 11-02-11 11-03-11 to 12-31-11 01-01-12 to 12-31-12
Fiscal Officer	Ken E. Ahlfeld	01-01-10 to 12-31-12
President of the Solid Waste Management District Board	Brian K. Haupert	01-01-10 to 12-31-12



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 WABASH COUNTY SOLID WASTE
MANAGEMENT DISTRICT, WABASH COUNTY, INDIANA

We have examined the accompanying financial statements of the Wabash County Solid Waste Management 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 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.

The District's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's management, the Solid Waste 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 17, 2012

(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.

WABASH COUNTY SOLID WASTE MANAGEMENT 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
Solid Waste Management (General)	<u>\$ 317,125</u>	<u>\$ 364,811</u>	<u>\$ 434,773</u>	<u>\$ 247,163</u>

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

WABASH COUNTY SOLID WASTE MANAGEMENT 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
Solid Waste Management (General)	<u>\$ 247,163</u>	<u>\$ 617,224</u>	<u>\$ 476,970</u>	<u>\$ 387,417</u>

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

WABASH 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.

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:

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.

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.

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.

WABASH COUNTY SOLID WASTE MANAGEMENT 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:

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.

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. 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.

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

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.

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.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public

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

Retirement System (INPRS) Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

(This page intentionally left blank.)

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.

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

	Solid Waste Management (General)
Cash and investments - beginning	\$ <u>317,125</u>
Receipts:	
Intergovernmental	6,800
Charges for services	343,183
Other receipts	<u>14,828</u>
Total receipts	<u>364,811</u>
Disbursements:	
Personal services	143,258
Supplies	1,283
Other services and charges	256,159
Debt service - principal and interest	32,979
Capital outlay	<u>1,094</u>
Total disbursements	<u>434,773</u>
Deficiency of receipts over disbursements	<u>(69,962)</u>
Cash and investments - ending	<u>\$ <u>247,163</u></u>

WABASH COUNTY SOLID WASTE MANAGEMENT DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Solid Waste Management (General)
Cash and investments - beginning	<u>\$ 247,163</u>
Receipts:	
Charges for services	610,202
Other receipts	<u>7,022</u>
Total receipts	<u>617,224</u>
Disbursements:	
Personal services	143,957
Supplies	2,924
Other services and charges	295,450
Debt service - principal and interest	32,979
Capital outlay	<u>1,660</u>
Total disbursements	<u>476,970</u>
Excess of receipts over disbursements	<u>140,254</u>
Cash and investments - ending	<u><u>\$ 387,417</u></u>

WABASH COUNTY SOLID WASTE MANAGEMENT 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:			
Notes and loans payable	Facility expansion	<u>\$ 357,463</u>	<u>\$ 32,979</u>

WABASH COUNTY SOLID WASTE MANAGEMENT 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.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 146,400
Buildings	860,536
Improvements other than buildings	14,035
Machinery, equipment and vehicles	<u>42,874</u>
Total capital assets	<u>\$ 1,063,845</u>

WABASH COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The District is using Quick Books Pro for its computer generated accounting system. Reports generated from this accounting system have not been approved for use, in lieu of our prescribed forms. A similar comment appeared in prior Report B37777.

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)

ANNUAL REPORT

The annual financial report for 2011, due March 1, 2012, was filed May 2, 2012. A similar comment appeared in prior Report B37777.

Indiana Code 5-11-1-4 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."

APPROPRIATIONS

The Solid Waste Management (General) Fund expenditures exceeded the budgeted appropriations by \$47,073 for 2010 and by \$6,740 for 2011.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SERVICE AND TIME RECORDS

Employee time, attendance, or service records presented for examination were inadequate. Service records were not prepared for the Executive Director and a laborer. There were no time records for the Executive Director. A similar comment appeared in prior Report B37777.

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)

POST DATING OF CHECKS

A check dated in January 2011 cleared the bank in December 2010. A similar comment appeared in prior Report B37777.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

WABASH COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 17, 2012, with Ken E. Ahlfeld, Fiscal Officer; Jeniece Rankin, Director; and Brian K. Hauptert, President of the Solid Waste Management District Board. The Official Response has been made a part of this report and may be found on pages 20 and 21.



1101 Manchester Avenue, Wabash, IN 46992
PH: (260) 563-7649 FAX: (260) 563-4728
recycle.wabashcounty@verizon.net www.slashthetrash.com

OFFICIAL RESPONSE

October 24, 2012

Mr. Gary DeWitt
Field Supervisor
Indiana State Board of Accounts
11768 N Roanoke Road
Roanoke, Indiana 46783

Re: Wabash County Solid Waste Management
District 2010/2011 Examination Results and Comments

Dear Gary,

Please consider this our official response to the audit results and comments referenced above. I will address the auditor's comments in the order listed in the report.

- (1) PRESCRIBED FORMS -
The Wabash County Solid Waste District continues to search for accounting software approved by the Indiana SBOA. At this time, I am not aware of any approved software. If I am mistaken, please advise so we can evaluate that software.

- (2) ANNUAL REPORT AND FORM 100-R -
As we explained to the auditor, the state's new Gateway system caused a lot of confusion and delayed their acceptance and/or ability to know we had timely entered our annual report information. In fact, I was contacted by officials in Indianapolis asking why our information was not entered even after it had already been entered in the Gateway system. With their assistance, we were finally able to enter the information in a manner enabling them to view it on May 2, 2012. I anticipate that Indiana will have refined and corrected the Gateway system sufficiently by the time the 2012 annual report is due to avoid those problems. The district's paper reports were filed timely in 2010.

- (3) APPROPRIATIONS -
The auditor calculated excess of expenditures above appropriations in the amount of \$47,073 and \$6,740 for 2010 and 2011, respectively. As I explained to the auditor, no property

taxes are levied or collected by the Wabash County Solid Waste Management District. Under Indiana Department of Local Government Finance regulations, that makes us a "reporting only" entity. Our additional appropriations are determined by resolution of our board, they are properly advertised publically and public hearings are held before passage of the resolutions by our board. Certified copies of the additional appropriations are completed and submitted to the Department as required although approval from the Department is not required for a "reporting only" entity. We, therefore, did not exceed allowable budgeted appropriations at all. There is a problem at the state level when Department personnel who are not aware of our "reporting only" status handle the processing of our certified copies and occasionally erroneously issue letters denying approval of the additional appropriations when they have no authority to approve or disapprove them. I disagree with the examination comment and respectfully request that you remove it from the final report.

(4) SERVICE AND TIME RECORDS -

Hourly employee service and time records are maintained as required. I was not, however, aware that requirement applied to salaried positions until sometime during August, 2010 at the conclusion of a prior audit. The auditor's comment is noted and I believe Form 99-A is now being completed to comply as the auditor suggested.

(5) POST DATING OF CHECKS -

I have instructed the office administrator who prepares checks to date them on the day of preparation. The problem occurs because she is authorized by our directors to issue utility checks and other payments potentially subject to late charges, in advance of our monthly meeting. She attempts to issue checks dated in the same month as the meeting - in other words, post dating them - and occasionally mistakenly mails checks before the issue date on them.

Please include the "OFFICIAL RESPONSE" as part of the District's final audit report for the 2010 / 2011 audit period. If you have questions or comments please feel free to contact me at your convenience.

Very truly yours,
Wabash Co Solid Waste
Management District



Ken Ahlfeld, CPA
Controller