

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF

WHITLEY COUNTY SOLID WASTE
MANAGEMENT DISTRICT
WHITLEY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/31/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director/Controller	Jorell Tucker	01-01-10 to 12-31-12
President of the Solid Waste Management District Board	Donald A. Amber George A. Schrupf	01-01-10 to 12-31-11 01-01-12 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WHITLEY COUNTY SOLID WASTE
MANAGEMENT DISTRICT, WHITLEY COUNTY, INDIANA

We have examined the accompanying financial statements of the Whitley 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.

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 29, 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.

WHITLEY 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	<u>\$ 897,645</u>	<u>\$ 649,401</u>	<u>\$ 887,688</u>	<u>\$ 659,358</u>

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

WHITLEY 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	<u>\$ 659,358</u>	<u>\$ 679,589</u>	<u>\$ 731,776</u>	<u>\$ 607,171</u>

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

WHITLEY 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:

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.

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.

WHITLEY COUNTY SOLID WASTE MANAGEMENT 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.

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.

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.

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

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 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

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

Funding Policy and Annual Pension Cost

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

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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.

WHITLEY 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>897,645</u>
Receipts:	
Charges for services	590,038
Other receipts	<u>59,363</u>
Total receipts	<u>649,401</u>
Disbursements:	
Personal services	96,642
Supplies	5,073
Other services and charges	505,895
Debt service	89,148
Capital outlay	<u>190,930</u>
Total disbursements	<u>887,688</u>
Deficiency of receipts over disbursements	<u>(238,287)</u>
Cash and investments - ending	<u>\$ <u>659,358</u></u>

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

	<u>Solid Waste Management</u>
Cash and investments - beginning	\$ <u>659,358</u>
Receipts:	
Charges for services	656,829
Other receipts	<u>22,760</u>
Total receipts	<u>679,589</u>
Disbursements:	
Personal services	87,415
Supplies	9,159
Other services and charges	546,054
Debt service	<u>89,148</u>
Total disbursements	<u>731,776</u>
Deficiency of receipts over disbursements	<u>(52,187)</u>
Cash and investments - ending	<u>\$ <u>607,171</u></u>

WHITLEY 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	Purchased new Recycling containers	<u>\$ 245,856</u>	<u>\$ 89,148</u>

WHITLEY 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:	
Machinery, equipment and vehicles	<u>\$ 59,915</u>

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXAMINATION RESULTS AND COMMENTS

PENALTIES, INTEREST, AND OTHER CHARGES

In May 2011, the District was assessed five overdraft fees totaling \$140 and, in December 2011, was assessed an overdraft fee of \$32. The District also incurred late fees and interest charges on their credit card. On the credit card statement ending January 27, 2010, there were late fees and interest totaling \$43 and, on the statement ending December 29, 2010, there were late fees and interest totaling \$25.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

TIMELY DEPOSITS

The Director/Controller only makes deposits once a week.

Indiana Code 5-13-6-1(c) states in part: "All local officers . . . who collect public funds of their respective political subdivisions shall deposit funds not later than the business day following the receipt of funds on business days of the depository in the depository or depositories selected by the . . . local boards of finance. . . ."

INTEREST ON INVESTMENTS

It was noted, in some instances, interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts State of Indiana, Chapter 15)

BANK ACCOUNT RECONCILIATIONS

The Director/Controller has made no attempt to reconcile the fund balances to the bank account balances for the last forty-five months. A similar comment appeared in prior Report B37778.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

TRANSACTION RECORDING

Interest earned on the District's bank accounts for the months of January through December 2010 (\$503) and February through May 2011 (\$68) have not been posted to the District's records as of September 27, 2012

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts State of Indiana, Chapter 2)

PRESCRIBED FORMS

The Whitley County Solid Waste Management District used a version of Quick Books for payroll related items and an Excel Data Base for maintaining financial records. Neither of these formats has been approved by the State Board of Accounts. A similar comment appeared in prior Report B37778.

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)

CERTIFIED REPORT (FORM 100R) NOT TIMELY FILED

The District did not file the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100R or its equivalent) with the State Board of Accounts on a timely basis for the year 2012. The report, which is due in January each year, was filed March 7, 2012.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

ANNUAL FINANCIAL REPORT FILING

The Annual Financial Report for 2010 was not filed until April 28, 2011, and the Annual Financial Report for 2011 was not filed until April 4, 2012.

Indiana Code 5-11-1-4 (a) concerning annual reports, states in part: ". . . 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."

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

ANNUAL REPORT

The District's Annual Financial Report is a required financial report to summarize the financial activity of the District. A review of the District's Annual Financial Report identified the following deficiencies.

1. The beginning balance of the Solid Waste Management Fund for 2010 and 2011 was overstated by \$400,000.
2. The 2010 and 2011 reports contained errors in the classification of financial activity. Instances were noted in which receipts classified as "Other Receipts" should have been classified as "Charges for Services." Disbursements for debt payments and capital outlay were classified as "Other Services and Charges" rather than "Debt Service" and "Capital Outlay."

Adjustments were made to the financial report to correctly report overall total receipts, disbursements, and beginning and ending cash and investment balances as well as proper classification of receipts and disbursements.

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)

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 3)

SUPPORTING DOCUMENTATION

During the examination of the District's disbursements, it was noted that several disbursements lacked supporting documentation. Of the disbursements tested, one was paid from a monthly statement with no attached invoice. An examination of the District's credit card purchases disclosed that, of the \$6,006 paid on credit card purchases, \$1,009 had no supporting documentation. The expenses paid with no supporting documentation consisted of lodging for a conference, repairs to a vehicle, computer software upgrades and support, payments to a uniform rental company and a charge from the United States Postal Service. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 3)

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

APPROPRIATIONS

The Solid Waste Management Fund expenditures exceeded budgeted appropriations by \$193,688 in 2010 and by \$37,776 in 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."

WHITLEY COUNTY SOLID WASTE MANAGEMENT DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2012, with Jorell Tucker, Director/Controller, and George A. Schrupf, President of the Solid Waste Management District Board. The officials concurred with our findings.