

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

ELKHART COUNTY REGIONAL SEWER DISTRICT

ELKHART COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
03/03/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Project Coordinator	Kristine A. Krueger	01-01-10 to 12-31-14
Treasurer	Thomas Holtzinger	01-01-10 to 12-31-14
President of the District Board	Scott Robinia	01-01-10 to 12-31-14



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ELKHART COUNTY REGIONAL
SEWER DISTRICT, ELKHART COUNTY, INDIANA

We have examined the accompanying financial statements of the Elkhart County Regional Sewer District (District), for the period of January 1, 2010 to December 31, 2012. 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 Indiana 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 effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2012.

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 period of January 1, 2010 to December 31, 2012, 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

February 12, 2014

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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.

ELKHART COUNTY 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
General Operations	\$ 34,572	\$ 178,694	\$ 134,900	\$ 78,366
Bond and Interest	21,759	69,996	78,732	13,023
Debt Reserve	6,996	6,996	-	13,992
Capital Reserve	6,996	6,996	-	13,992
Road Restoration	38,604	-	-	38,604
Financial Assistance	9,323	-	-	9,323
Totals	<u>\$ 118,250</u>	<u>\$ 262,682</u>	<u>\$ 213,632</u>	<u>\$ 167,300</u>

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

ELKHART COUNTY 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
General Operating	\$ 78,366	\$ 161,387	\$ 155,612	\$ 84,141
Bond and Interest	13,023	69,996	78,948	4,071
Debt Reserve	13,992	6,996	-	20,988
Capital Reserve	13,992	6,996	-	20,988
Road Restoration	38,604	-	-	38,604
Financial Assistance	9,323	-	-	9,323
Totals	<u>\$ 167,300</u>	<u>\$ 245,375</u>	<u>\$ 234,560</u>	<u>\$ 178,115</u>

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

ELKHART COUNTY REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General Operating	\$ 84,141	\$ 173,507	\$ 157,020	\$ 100,628
Bond and Interest	4,071	84,020	78,123	9,968
Debt Reserve	20,988	7,000	-	27,988
Capital Reserve	20,988	7,000	-	27,988
Road Restoration	38,604	-	-	38,604
Financial Assistance	9,323	-	-	9,323
Totals	<u>\$ 178,115</u>	<u>\$ 271,527</u>	<u>\$ 235,143</u>	<u>\$ 214,499</u>

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

ELKHART COUNTY 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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

E. Disbursements

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

ELKHART COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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. 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.

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

ELKHART COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 5. Subsequent Events

The District increased rates by 24 percent effective March 2013.

The District's financial statements include \$38,604 in the Road Restoration Fund. The original receipt for this fund was a loan from Elkhart County to assist the District in repaving the roads after the sewer lines were installed. In 2013, the District returned the balance to the County since the project was complete.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's Annual Report information for years 2011 and later 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.

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

	General Operations	Bond and Interest	Debt Reserve	Capital Reserve	Road Restoration	Financial Assistance	Totals
Cash and investments - beginning	\$ 34,572	\$ 21,759	\$ 6,996	\$ 6,996	\$ 38,604	\$ 9,323	\$ 118,250
Receipts:							
Utility fees	178,134	-	-	-	-	-	178,134
Other receipts	560	69,996	6,996	6,996	-	-	84,548
Total receipts	178,694	69,996	6,996	6,996	-	-	262,682
Disbursements:							
Debt service - principal and interest	-	78,732	-	-	-	-	78,732
Utility operating expenses	50,912	-	-	-	-	-	50,912
Other disbursements	83,988	-	-	-	-	-	83,988
Total disbursements	134,900	78,732	-	-	-	-	213,632
Excess (deficiency) of receipts over disbursements	43,794	(8,736)	6,996	6,996	-	-	49,050
Cash and investments - ending	\$ 78,366	\$ 13,023	\$ 13,992	\$ 13,992	\$ 38,604	\$ 9,323	\$ 167,300

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

	General Operating	Bond and Interest	Debt Reserve	Capital Reserve	Road Restoration	Financial Assistance	Totals
Cash and investments - beginning	\$ 78,366	\$ 13,023	\$ 13,992	\$ 13,992	\$ 38,604	\$ 9,323	\$ 167,300
Receipts:							
Utility fees	161,003	-	-	-	-	-	161,003
Other receipts	384	69,996	6,996	6,996	-	-	84,372
Total receipts	161,387	69,996	6,996	6,996	-	-	245,375
Disbursements:							
Utility operating expenses	71,624	-	-	-	-	-	71,624
Debt service - principal and interest	-	78,948	-	-	-	-	78,948
Other disbursements	83,988	-	-	-	-	-	83,988
Total disbursements	155,612	78,948	-	-	-	-	234,560
Excess (deficiency) of receipts over disbursements	5,775	(8,952)	6,996	6,996	-	-	10,815
Cash and investments - ending	\$ 84,141	\$ 4,071	\$ 20,988	\$ 20,988	\$ 38,604	\$ 9,323	\$ 178,115

ELKHART COUNTY REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Operating	Bond and Interest	Debt Reserve	Capital Reserve	Road Restoration	Financial Assistance	Totals
Cash and investments - beginning	\$ 84,141	\$ 4,071	\$ 20,988	\$ 20,988	\$ 38,604	\$ 9,323	\$ 178,115
Receipts:							
Utility fees	173,241	-	-	-	-	-	173,241
Other receipts	266	84,020	7,000	7,000	-	-	98,286
Total receipts	173,507	84,020	7,000	7,000	-	-	271,527
Disbursements:							
Utility operating expenses	59,000	-	-	-	-	-	59,000
Debt service - principal and interest	-	78,123	-	-	-	-	78,123
Other disbursements	98,020	-	-	-	-	-	98,020
Total disbursements	157,020	78,123	-	-	-	-	235,143
Excess (deficiency) of receipts over disbursements	16,487	5,897	7,000	7,000	-	-	36,384
Cash and investments - ending	\$ 100,628	\$ 9,968	\$ 27,988	\$ 27,988	\$ 38,604	\$ 9,323	\$ 214,499

ELKHART COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater Utility: Revenue bonds	Rural Development - construction of infrastructure	<u>\$ 1,389,043</u>	<u>\$ 78,200</u>

ELKHART COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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>
Wastewater: Infrastructure	<u>\$ 1,500,000</u>

ELKHART COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULT AND COMMENT

ANNUAL REPORT

The Annual Reports for 2010, 2011, and 2012 contained a number of errors and did not properly reflect the financial activity of the Elkhart County Regional Sewer District. Additionally, the reports were not filed timely.

Indiana Code 5-11-1-4(a) states:

"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. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

ELKHART COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on February 12, 2014, with Thomas Holtzinger, Treasurer, and Kristine A. Krueger, Project Coordinator. The officials concurred with our finding.