

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

JAY COUNTY REGIONAL SEWER DISTRICT

JAY COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED

01/09/2015

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Tim Kesler Ralph Frazee	01-01-13 to 01-31-13 02-01-13 to 12-31-14
President of the Board	Bob Brelsford Faron Parr	01-01-13 to 12-31-13 01-01-14 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statement of the Jay County Regional Sewer District (District), for the year ended December 31, 2013. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 statement 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.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does 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 year ended December 31, 2013.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2013, 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 statement. The Combining Schedule 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

November 20, 2014

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

JAY COUNTY REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Wastewater Operation and Maintenance	\$ 5,763	\$ 82,025	\$ 57,198	\$ 30,590
Wastewater Revenue	-	83,867	83,867	-
Wastewater Bond and Interest	13,864	27,533	27,663	13,734
Wastewater Debt Service Reserve	4,292	2,861	-	7,153
Wastewater Construction	14,189	-	14,189	-
Totals	<u>\$ 38,108</u>	<u>\$ 196,286</u>	<u>\$ 182,917</u>	<u>\$ 51,477</u>

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

JAY COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include the following sources:

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 statement. The aggregate disbursements include the following uses:

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.

JAY COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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. 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 3. 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.

JAY COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 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 statement contained in this report and the financial information presented in the Annual Report of the District which is 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.

JAY COUNTY REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	Wastewater Operation and Maintenance	Wastewater Revenue	Wastewater Bond and Interest	Wastewater Debt Service Reserve	Wastewater Construction	Totals
Cash and investments - beginning	\$ 5,763	\$ -	\$ 13,864	\$ 4,292	\$ 14,189	\$ 38,108
Receipts:						
Utility fees	-	81,335	-	-	-	81,335
Penalties	-	1,812	-	-	-	1,812
Other receipts	<u>82,025</u>	<u>720</u>	<u>27,533</u>	<u>2,861</u>	<u>-</u>	<u>113,139</u>
Total receipts	<u>82,025</u>	<u>83,867</u>	<u>27,533</u>	<u>2,861</u>	<u>-</u>	<u>196,286</u>
Disbursements:						
Other services and charges	2,515	-	-	-	-	2,515
Debt service - principal and interest	-	-	27,663	-	-	27,663
Capital outlay	-	-	-	-	7,880	7,880
Utility operating expenses	54,683	-	-	-	2,758	57,441
Other disbursements	<u>-</u>	<u>83,867</u>	<u>-</u>	<u>-</u>	<u>3,551</u>	<u>87,418</u>
Total disbursements	<u>57,198</u>	<u>83,867</u>	<u>27,663</u>	<u>-</u>	<u>14,189</u>	<u>182,917</u>
Excess (deficiency) of receipts over disbursements	<u>24,827</u>	<u>-</u>	<u>(130)</u>	<u>2,861</u>	<u>(14,189)</u>	<u>13,369</u>
Cash and investments - ending	<u>\$ 30,590</u>	<u>\$ -</u>	<u>\$ 13,734</u>	<u>\$ 7,153</u>	<u>\$ -</u>	<u>\$ 51,477</u>

JAY COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2013

<u>Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Regional Sewer District	<u>\$ 2,384</u>	<u>\$ 1,526</u>

JAY COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Regional Sewer District:			
Revenue bonds	Sewer works construction	\$ 599,000	\$ 27,403
Notes and loans payable	Infrastructure improvements	<u>25,000</u>	<u>-</u>
Totals		<u>\$ 624,000</u>	<u>\$ 27,403</u>

JAY COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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>
Regional Sewer District:	
Improvements other than buildings	<u>\$ 1,152,399</u>

JAY COUNTY REGIONAL SEWER DISTRICT
EXAMINATION RESULT AND COMMENT

BOARD MINUTES

The minutes of the meetings of the District Board as presented for examination did not indicate they were the approved originals. The Board minutes presented did not contain the proper official signatures. Additionally, there is no evidence a permanent record of the meeting minutes is maintained.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under section 3.5 or 3.6 of this chapter or any other statute that authorizes a governing body to conduct a meeting using an electronic means of communication."

JAY COUNTY REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 20, 2014, with Ralph Frazee, Treasurer, and Faron Parr, President of the Board.