

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

MARIAH HILL REGIONAL SEWER DISTRICT

SPENCER COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
04/22/2016

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis	6-7
Notes to Financial Statements.....	8-10
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and	
Investment Balances - Regulatory Basis	12-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Other Reports.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Lisa R. Vaal Delores M. Balbach	01-01-11 to 02-11-16 02-12-16 to 12-31-16
President of the Board	Edwin Balbach Mary Joanne Lehr	01-01-11 to 03-31-15 04-01-15 to 12-31-16



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 MARIAH HILL REGIONAL
SEWER DISTRICT, SPENCER COUNTY, INDIANA

We have examined the accompanying financial statements of the Mariah Hill Regional Sewer District (District), for the period of January 1, 2011 to December 31, 2014. 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.

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, 2011 to December 31, 2014.

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, 2011 to December 31, 2014, 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

March 2, 2016

(This page intentionally left blank.)

FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

MARIAH HILL REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
WASTEWATER OPERATING	\$ 6,150	\$ 112,323	\$ 83,585	\$ 34,888	\$ 89,597	\$ 86,753	\$ 37,732
WASTEWATER BOND AND INTEREST	20,271	21,024	41,295	-	-	-	-
WASTEWATER DEBT SERVICE RESERVE	48,988	94	49,082	-	-	-	-
WASTEWATER REPLACEMENT FUND	14,030	977	-	15,007	3,584	7,438	11,153
WASTEWATER LOAN	-	390,000	390,000	-	-	-	-
Totals	<u>\$ 89,439</u>	<u>\$ 524,418</u>	<u>\$ 563,962</u>	<u>\$ 49,895</u>	<u>\$ 93,181</u>	<u>\$ 94,191</u>	<u>\$ 48,885</u>

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

MARIAH HILL REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2013 and 2014

<u>Fund</u>	<u>Cash and Investments 01-01-13</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-13</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash and Investments 12-31-14</u>
WASTEWATER OPERATING	\$ 37,732	\$ 83,968	\$ 99,108	\$ 22,592	\$ 85,936	\$ 89,557	\$ 18,971
WASTEWATER REPLACEMENT FUND	<u>11,153</u>	<u>3,906</u>	<u>-</u>	<u>15,059</u>	<u>3,909</u>	<u>-</u>	<u>18,968</u>
Totals	<u>\$ 48,885</u>	<u>\$ 87,874</u>	<u>\$ 99,108</u>	<u>\$ 37,651</u>	<u>\$ 89,845</u>	<u>\$ 89,557</u>	<u>\$ 37,939</u>

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

MARIAH HILL 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:

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.

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.

MARIAH HILL REGIONAL SEWER 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.

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.

MARIAH HILL REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

OTHER INFORMATION - UNAUDITED

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 other information presented was approved by management of the District. It is presented as intended by the District.

MARIAH HILL REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	WASTEWATER OPERATING	WASTEWATER BOND AND INTEREST	WASTEWATER DEBT SERVICE RESERVE	WASTEWATER REPLACEMENT FUND	WASTEWATER LOAN	Totals
Cash and investments - beginning	\$ 6,150	\$ 20,271	\$ 48,988	\$ 14,030	\$ -	\$ 89,439
Receipts:						
Intergovernmental	25,000	-	-	-	-	25,000
Utility fees	84,798	-	-	-	-	84,798
Other receipts	2,525	21,024	94	977	390,000	414,620
Total receipts	<u>112,323</u>	<u>21,024</u>	<u>94</u>	<u>977</u>	<u>390,000</u>	<u>524,418</u>
Disbursements:						
Personal services	3,960	-	-	-	-	3,960
Other services and charges	1,337	-	-	-	-	1,337
Debt service - principal and interest	39,859	41,295	49,082	-	-	130,236
Capital outlay	2,157	-	-	-	-	2,157
Utility operating expenses	34,532	-	-	-	-	34,532
Other disbursements	1,740	-	-	-	390,000	391,740
Total disbursements	<u>83,585</u>	<u>41,295</u>	<u>49,082</u>	<u>-</u>	<u>390,000</u>	<u>563,962</u>
Excess (deficiency) of receipts over disbursements	<u>28,738</u>	<u>(20,271)</u>	<u>(48,988)</u>	<u>977</u>	<u>-</u>	<u>(39,544)</u>
Cash and investments - ending	<u>\$ 34,888</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,007</u>	<u>\$ -</u>	<u>\$ 49,895</u>

MARIAH HILL REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	WASTEWATER OPERATING	WASTEWATER BOND AND INTEREST	WASTEWATER DEBT SERVICE RESERVE	WASTEWATER REPLACEMENT FUND	WASTEWATER LOAN	Totals
Cash and investments - beginning	\$ 34,888	\$ -	\$ -	\$ 15,007	\$ -	\$ 49,895
Receipts:						
Utility fees	82,139	-	-	-	-	82,139
Other receipts	7,458	-	-	3,584	-	11,042
Total receipts	89,597	-	-	3,584	-	93,181
Disbursements:						
Personal services	5,420	-	-	-	-	5,420
Other services and charges	1,481	-	-	-	-	1,481
Debt service - principal and interest	37,129	-	-	-	-	37,129
Capital outlay	7,438	-	-	-	-	7,438
Utility operating expenses	31,385	-	-	-	-	31,385
Other disbursements	3,900	-	-	7,438	-	11,338
Total disbursements	86,753	-	-	7,438	-	94,191
Excess (deficiency) of receipts over disbursements	2,844	-	-	(3,854)	-	(1,010)
Cash and investments - ending	\$ 37,732	\$ -	\$ -	\$ 11,153	\$ -	\$ 48,885

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

	WASTEWATER OPERATING	WASTEWATER REPLACEMENT FUND	Totals
Cash and investments - beginning	\$ 37,732	\$ 11,153	\$ 48,885
Receipts:			
Utility fees	83,951	-	83,951
Other receipts	17	3,906	3,923
Total receipts	83,968	3,906	87,874
Disbursements:			
Personal services	3,960	-	3,960
Other services and charges	1,696	-	1,696
Debt service - principal and interest	37,129	-	37,129
Capital outlay	1,113	-	1,113
Utility operating expenses	51,310	-	51,310
Other disbursements	3,900	-	3,900
Total disbursements	99,108	-	99,108
Excess (deficiency) of receipts over disbursements	(15,140)	3,906	(11,234)
Cash and investments - ending	\$ 22,592	\$ 15,059	\$ 37,651

MARIAH HILL REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	WASTEWATER OPERATING	WASTEWATER REPLACEMENT FUND	Totals
Cash and investments - beginning	\$ 22,592	\$ 15,059	\$ 37,651
Receipts:			
Utility fees	85,924	-	85,924
Other receipts	12	3,909	3,921
Total receipts	85,936	3,909	89,845
Disbursements:			
Personal services	5,380	-	5,380
Other services and charges	1,272	-	1,272
Debt service - principal and interest	37,129	-	37,129
Utility operating expenses	41,876	-	41,876
Other disbursements	3,900	-	3,900
Total disbursements	89,557	-	89,557
Excess (deficiency) of receipts over disbursements	(3,621)	3,909	288
Cash and investments - ending	\$ 18,971	\$ 18,968	\$ 37,939

MARIAH HILL REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Notes and loans payable	Spencer County Bank Loan	\$ 305,643	\$ 37,129
Totals		<u>\$ 305,643</u>	<u>\$ 37,129</u>

MARIAH HILL REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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:	
Land	\$ 5,000
Infrastructure	<u>1,823,530</u>
Total capital assets	<u>\$ 1,828,530</u>

OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.