

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

EXAMINATION REPORT
OF

LAKE SANTEE REGIONAL WASTE
AND WATER DISTRICT
DECATUR COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
11/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Darrow McCreary	01-01-08 to 12-31-08
Superintendent/Operator	Thomas Crowe Brandon Litmer	01-01-09 to 10-30-09 10-31-09 to 12-31-10
Utility Administrator	Darin Miley	05-15-10 to 12-31-10
Treasurer	David Kinnett Frank Erdosy	01-01-08 to 03-10-08 03-11-08 to 12-31-10
President of the Board	William Pearsey William McVay	01-01-08 to 12-31-08 01-01-09 to 12-31-10



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE SANTEE REGIONAL WASTE
AND WATER DISTRICT, DECATUR COUNTY, INDIANA

We have examined the financial information presented herein of the Lake Santee Regional Waste and Water District (District), for the period of January 1, 2008 to December 31, 2009. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 2, 2010

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Water Operating	\$ (5,003)	\$ 364,635	\$ 391,273	\$ (31,641)
Water Bond and Interest	92,967	134,135	133,868	93,234
Water Construction	(3,477)	18,500	15,023	-
Water Debt Service Reserve	31,981	16,364	-	48,345
Wastewater Operating	116,967	359,882	357,921	118,928
Wastewater Bond and Interest	100,816	164,875	163,754	101,937
Wastewater Improvement	13,910	8,447	-	22,357
Wastewater Debt Service Reserve	142,048	23,442	-	165,490
Totals	<u>\$ 490,209</u>	<u>\$ 1,090,280</u>	<u>\$ 1,061,839</u>	<u>\$ 518,650</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Water Operating	\$ (31,641)	\$ 358,353	\$ 395,197	\$ (68,485)
Water Bond and Interest	93,234	133,903	133,656	93,481
Water Debt Service Reserve	48,345	16,051	1,013	63,383
Wastewater Operating	118,928	398,145	356,688	160,385
Wastewater Bond and Interest	101,937	165,023	163,949	103,011
Wastewater Improvement	22,357	10,676	-	33,033
Wastewater Debt Service Reserve	165,490	5,160	3,853	166,797
Totals	<u>\$ 518,650</u>	<u>\$ 1,087,311</u>	<u>\$ 1,054,356</u>	<u>\$ 551,605</u>

The accompanying notes are an integral part of the financial information.

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under an appointed governing board, and provides wastewater and water utility services.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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. Subsequent Event - Penalty Overcharges

During March 2010, District officials discovered that they had been inadvertently overcharging penalties to water and wastewater customers due to a computer software problem. Instead of charging a 10% penalty on the prior month's charges, a 10% penalty on the balance due was being charged, resulting in interest being compounded for customers that had accounts that were past due more than one month. The District took corrective action by issuing refunds or applying the amount owed to customers' accounts. As of August 26, 2010, \$4,042.29 in refund checks has been issued to customers.

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2001

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>
Business-type activities	
Capital assets, not being depreciated:	
Land, lakes, and rivers	\$ 332,814
Machinery and equipment	4,506,771
Structures	<u>3,835,600</u>
 Total business-type activities, capital assets not being depreciated	 <u>\$ 8,675,185</u>

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
2005 Waterworks Revenue Bonds	\$ 2,448,000	\$ 133,403
2005 Waterworks Revenue Bonds	<u>225,000</u>	<u>17,618</u>
Total Water Utility	<u>2,673,000</u>	<u>151,021</u>
Wastewater Utility:		
Revenue bonds:		
1999 Sewage Works Revenue Bonds	<u>2,611,000</u>	<u>164,049</u>
Total business-type activities debt	<u>\$ 5,284,000</u>	<u>\$ 315,070</u>

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
EXAMINATION RESULT AND COMMENT

OVERDRAWN FUND BALANCES

The Water Operating Fund was overdrawn in 2008 and 2009.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LAKE SANTEE REGIONAL WASTE AND WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 2, 2010, with Frank Erdosy, Treasurer; William McVay, President of the Board; Darin Miley, Utility Administrator; and Brandon Litmer, Superintendent/Operator. The officials concurred with our finding.