

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

EXAMINATION REPORT
OF
LEO-CEDARVILLE REGIONAL SEWER DISTRICT
ALLEN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/28/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Ann Miller	01-01-08 to 02-28-09
	Laura Dever	03-01-09 to 12-31-10
Operations Manager	Basil Wisler	01-01-08 to 12-31-10
President of the District Board	Dave Jones	01-01-08 to 12-31-10
Treasurer	Phil Stuckey	01-01-08 to 10-06-09
	Amy Shuler	10-07-09 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LEO-CEDARVILLE REGIONAL
SEWER DISTRICT, ALLEN COUNTY, INDIANA

We have examined the financial information presented herein of the Leo-Cedarville Regional Sewer 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, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

October 6, 2010

LEO-CEDARVILLE REGIONAL SEWER 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:				
Operating	\$ 48,043	\$ 697,900	\$ 712,540	\$ 33,403
Bond and Interest	1,078,491	768,191	821,754	1,024,928
Reserve	60,000	-	-	60,000
Improvement	1,064,291	123,854	-	1,188,145
	<u>2,250,825</u>	<u>1,589,945</u>	<u>1,534,294</u>	<u>2,306,476</u>
Totals	<u>\$ 2,250,825</u>	<u>\$ 1,589,945</u>	<u>\$ 1,534,294</u>	<u>\$ 2,306,476</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Operating	\$ 33,403	\$ 1,015,000	\$ 1,001,045	\$ 47,358
Bond and Interest	1,024,928	734,787	1,097,612	662,103
Reserve	60,000	-	-	60,000
Improvement	1,188,145	82,612	-	1,270,757
	<u>2,306,476</u>	<u>1,832,399</u>	<u>2,098,657</u>	<u>2,040,218</u>
Totals	<u>\$ 2,306,476</u>	<u>\$ 1,832,399</u>	<u>\$ 2,098,657</u>	<u>\$ 2,040,218</u>

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

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following service: collection and disposal of wastewater and sewage.

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. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION
(Continued)

PERF 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:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 5. Subsequent Events

On May 22, 2010, the District retired the outstanding sewage works revenue bonds of \$353,000.

The District adopted Ordinance Number LCRSD 18-2009, Sewer Rate Ordinance, on October 6, 2009. This ordinance increased the rate charged customers for collection and disposal of sewage by 23%, effective January 1, 2010.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Regional Sewer District:	
Capital assets, not being depreciated:	
Land	\$ 98,892
Construction in progress	215,605
Buildings	41,088
Improvements other than buildings	5,725,395
Machinery and equipment	<u>364,629</u>
 Total business-type activities capital assets	 <u>\$ 6,445,609</u>

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
EXAMINATION RESULT AND COMMENT

PUBLIC WORKS PROJECT

In 2009, the District prepared plans and specifications for a Manhole Rehabilitation project. These plans and specifications were not published requesting sealed bids as required.

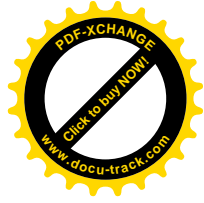
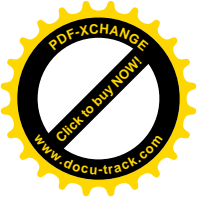
Whenever the cost of a public work project will be: at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (B) a county containing a consolidated city or second class city; (C) a regional water or sewage district established under IC 13-26; the board must comply with the following procedures in accordance with IC 36-1-12-4(b):

- (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . .
- (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3).
- (3) Upon the filing of the plans and specifications, the board shall publish notice two times, at least one week apart, with the second publication made at least seven days before the date the bids will be received, in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 17)

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 6, 2010, with Amy Shuler, Treasurer; Laura Dever, Office Manager; and Basil Wisler, Operations Manager. The official response has been made a part of this report and may be found on page 10.



LEO-CEDARVILLE
REGIONAL SEWER DISTRICT

Phone: (260) 627-2084
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P.O. Box 197
Leo, Indiana 46765

October 12, 2010

Indiana State Board of Accounts
302 West Washington St., Room E 418
Indianapolis, IN 46204-2765

ATTN: Bruce Hartman, CPA, State Examiner

RE: 2008 & 2009 Records Examination

Dear Mr. Hartman,

We would like to take this opportunity to respond to the State Board of Accounts (SBA) examination of our receipts, disbursements and investment balances for the two-year period ended December 31, 2009. The only comment noted by the SBA examiner pertains to a 2009 public works project in which plans and specifications were not published requesting bids in accordance with IC 36-1-12-4(b).

Review of our project records indicate that this task was delegated to our Engineering Consultant as part of their bid solicitation activities. A letter received from this consultant during the bidding phase of this project stated that the 'Advertisement for Bids' with publishing instructions had been previously e-mailed to the appropriate local newspaper. Unfortunately, it appears that this e-mail was never sent as indicated. A copy of the correspondence from the Consultant to the District is contained within our project file and was made available to the SBA examiner. However, it should be noted that the District and Consultant have completed numerous public works projects with this being the first such omission.

In response to the reviewer's finding, the District has taken steps to ensure greater project oversight and prevent reoccurrence of this type of lapse. The District has developed project activity tracking sheets for subsequent public works projects, which include delegated tasks. These forms were presented to the SBA examiner for discussion and comment at our exit conference.

We appreciate the professionalism, efforts and recommendations of the SBA examiner during this records review and look forward to future input from your office. Trusting all is in order, I remain,

ON BEHALF OF THE LEO-CEDARVILLE REGIONAL SEWER DISTRICT

Respectfully yours,

Basil D. Wisler

Basil D. Wisler
Director of Operations, L-CRSD