

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

FINANCIAL STATEMENTS EXAMINATION REPORT  
OF  
ST JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
DEKALB COUNTY, INDIANA  
January 1, 2010 to December 31, 2011



**FILED**  
10/16/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Samuel McClintock	01-01-10 to 12-31-12
President of the Board of Trustees	Jerry Markle	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ST JOE-SPENCERVILLE REGIONAL  
SEWER DISTRICT, DEKALB COUNTY, INDIANA

We have examined the accompanying financial statements of the St Joe-Spencerville Regional Sewer District (District), for the years ended December 31, 2010 and 2011. 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 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 basis noted above is a different basis than that used in the prior year.

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 years ended December 31, 2010 and 2011, 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 Capital Assets, and Schedule of Debt, 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.

This report is intended solely for the information and use of the District's management, Board of Trustees, and others within the entity and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

September 17, 2012

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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.

ST JOE-SPENCERVILLE 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
Operating And Maintenance	\$ 22,014	\$ 319,951	\$ 319,951	\$ 22,014
Bond And Interest	134,410	105,885	104,900	135,395
Depreciation/Improvement	193,434	10,680	41,140	162,974
Totals	<u>\$ 349,858</u>	<u>\$ 436,516</u>	<u>\$ 465,991</u>	<u>\$ 320,383</u>

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

ST JOE-SPENCERVILLE 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
Operation and Maintenance	\$ 22,014	\$ 332,516	\$ 332,516	\$ 22,014
Bond and Interest	135,395	105,852	105,000	136,247
Depreciation/Improvement	<u>162,974</u>	<u>36,916</u>	<u>58,408</u>	<u>141,482</u>
Totals	<u>\$ 320,383</u>	<u>\$ 475,284</u>	<u>\$ 495,924</u>	<u>\$ 299,743</u>

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

ST JOE-SPENCERVILLE 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 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. Receipts are recorded when received and disbursements are recorded when paid.

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.

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 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.

ST JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 utility.

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.

ST JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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 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. These risks may also be mitigated by the District by recording as a disbursement any replacement items purchased.

## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the District's 2011 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 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.

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

	<u>Operating And Maintenance</u>	<u>Bond And Interest</u>	<u>Depreciation/Improvement</u>	<u>Totals</u>
Cash and investments - beginning	\$ 22,014	\$ 134,410	\$ 193,434	\$ 349,858
Receipts:				
Utility fees	295,902	-	-	295,902
Penalties	3,843	-	-	3,843
Other receipts	<u>20,206</u>	<u>105,885</u>	<u>10,680</u>	<u>136,771</u>
Total receipts	<u>319,951</u>	<u>105,885</u>	<u>10,680</u>	<u>436,516</u>
Disbursements:				
Debt Service Supplies	-	104,900	-	104,900
Utility operating expenses	177,580	-	-	177,580
Capital outlay	29,750	-	-	29,750
Other disbursements	<u>112,621</u>	<u>-</u>	<u>41,140</u>	<u>153,761</u>
Total disbursements	<u>319,951</u>	<u>104,900</u>	<u>41,140</u>	<u>465,991</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>985</u>	<u>(30,460)</u>	<u>(29,475)</u>
Cash and investments - ending	<u>\$ 22,014</u>	<u>\$ 135,395</u>	<u>\$ 162,974</u>	<u>\$ 320,383</u>

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

	Operation and Maintenance	Bond and Interest	Depreciation/Improvement	Totals
Cash and investments - beginning	\$ 22,014	\$ 135,395	\$ 162,974	\$ 320,383
Receipts:				
Utility fees	294,960	-	-	294,960
Other receipts	<u>37,556</u>	<u>105,852</u>	<u>36,916</u>	<u>180,324</u>
Total receipts	<u>332,516</u>	<u>105,852</u>	<u>36,916</u>	<u>475,284</u>
Disbursements:				
Debt service - principal and interest	-	105,000	-	105,000
Capital outlay	10,823	-	-	10,823
Utility operating expenses	187,676	-	-	187,676
Other disbursements	<u>134,017</u>	<u>-</u>	<u>58,408</u>	<u>192,425</u>
Total disbursements	<u>332,516</u>	<u>105,000</u>	<u>58,408</u>	<u>495,924</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>852</u>	<u>(21,492)</u>	<u>(20,640)</u>
Cash and investments - ending	<u>\$ 22,014</u>	<u>\$ 136,247</u>	<u>\$ 141,482</u>	<u>\$ 299,743</u>

ST JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
For The Year Ended December 31, 2011

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:	
Land	\$ 10,465
Buildings	590,398
Improvements other than buildings	3,023,909
Machinery and equipment	<u>49,616</u>
 Total business-type activities	 <u><u>\$ 3,674,388</u></u>

ST. JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
 SCHEDULE OF DEBT  
 December 31, 2011

The Sewer District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater Utility: Revenue bonds: 1994 Sewage Works	<u>\$ 303,000</u>	<u>\$ 3,030</u>

ST JOE-SPENCERVILLE REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on September 17, 2012, with Jim Dwyer, Vice President of the Board of Trustees, and Robyn McCann, Utility Clerk. Our examination disclosed no material items that warrant comment at this time.