

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

K & H SEWER DISTRICT

CLAY COUNTY, INDIANA

January 1, 2011 to December 31, 2014



FILED
02/16/2016

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 Payables and Receivables	16
Schedule of Leases and Debt	17
Schedule of Capital Assets.....	19
Other Reports	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Linda Minnick	01-01-11 to 12-31-15
Treasurer	Scott Sneddon Garry Sneddon	01-01-11 to 07-27-11 07-28-11 to 12-31-15
President of the Board	James D. Minnick Scott Sneddon	01-01-11 to 07-27-11 07-28-11 to 12-31-15



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE K & H SEWER DISTRICT, CLAY COUNTY, INDIANA

We have examined the accompanying financial statements of the K & H 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 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 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

December 1, 2015

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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.

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

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Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
Bond & Interest	\$ 81,914	\$ 87,600	\$ 87,597	\$ 81,917	\$ 90,600	\$ 90,572	\$ 81,945
Construction	56,016	-	-	56,016	-	-	56,016
Debt Service Reserve	102,689	1,002	-	103,691	595	-	104,286
Operating Fund	<u>338,707</u>	<u>363,527</u>	<u>379,567</u>	<u>322,667</u>	<u>359,991</u>	<u>345,670</u>	<u>336,988</u>
Totals	<u>\$ 579,326</u>	<u>\$ 452,129</u>	<u>\$ 467,164</u>	<u>\$ 564,291</u>	<u>\$ 451,186</u>	<u>\$ 436,242</u>	<u>\$ 579,235</u>

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

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

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Bond & Interest	\$ 81,945	\$ 88,320	\$ 30,315	\$ 139,950	\$ 91,080	\$ 68,642	\$ 162,388
Construction	56,016	-	-	56,016	13,371	63,371	6,016
Debt Service Reserve	104,286	368	42,434	62,220	332	694	61,858
Operating Fund	336,988	351,189	430,550	257,627	378,694	470,099	166,222
Improvement Fund	-	42,434	-	42,434	892	13,371	29,955
Totals	<u>\$ 579,235</u>	<u>\$ 482,311</u>	<u>\$ 503,299</u>	<u>\$ 558,247</u>	<u>\$ 484,369</u>	<u>\$ 616,177</u>	<u>\$ 426,439</u>

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

K & H 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:

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:

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.

K & H REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. 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.

K & H 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.

Note 5. Restatements

For the year ended December 31, 2010, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the District. The following schedule presents a summary of restated beginning balances.

Fund	Balance as Reported December 31, 2010	Prior Period Adjustment	Balance as Restated January 1, 2011
Bond & Interest	\$ 8,016	\$ 73,898	\$ 81,914
Debt Service Reserve	176,586	(73,897)	102,689

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.

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

	Bond & Interest	Construction	Debt Service Reserve	Operating Fund	Totals
Cash and investments - beginning	\$ 81,914	\$ 56,016	\$ 102,689	\$ 338,707	\$ 579,326
Receipts:					
Utility fees	-	-	-	354,483	354,483
Penalties	-	-	-	6,261	6,261
Other receipts	87,600	-	1,002	2,783	91,385
Total receipts	87,600	-	1,002	363,527	452,129
Disbursements:					
Personal services	-	-	-	18,874	18,874
Other services and charges	-	-	-	1,841	1,841
Debt service - principal and interest	87,597	-	-	-	87,597
Utility operating expenses	-	-	-	271,252	271,252
Other disbursements	-	-	-	87,600	87,600
Total disbursements	87,597	-	-	379,567	467,164
Excess (deficiency) of receipts over disbursements	3	-	1,002	(16,040)	(15,035)
Cash and investments - ending	\$ 81,917	\$ 56,016	\$ 103,691	\$ 322,667	\$ 564,291

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

	Bond & Interest	Construction	Debt Service Reserve	Operating Fund	Totals
Cash and investments - beginning	\$ 81,917	\$ 56,016	\$ 103,691	\$ 322,667	\$ 564,291
Receipts:					
Utility fees	-	-	-	352,029	352,029
Other receipts	90,600	-	595	7,962	99,157
Total receipts	90,600	-	595	359,991	451,186
Disbursements:					
Personal services	-	-	-	18,870	18,870
Other services and charges	-	-	-	2,428	2,428
Debt service - principal and interest	90,572	-	-	-	90,572
Utility operating expenses	-	-	-	233,772	233,772
Other disbursements	-	-	-	90,600	90,600
Total disbursements	90,572	-	-	345,670	436,242
Excess (deficiency) of receipts over disbursements	28	-	595	14,321	14,944
Cash and investments - ending	\$ 81,945	\$ 56,016	\$ 104,286	\$ 336,988	\$ 579,235

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

	Bond & Interest	Construction	Debt Service Reserve	Operating Fund	Improvement Fund	Totals
Cash and investments - beginning	\$ 81,945	\$ 56,016	\$ 104,286	\$ 336,988	\$ -	\$ 579,235
Receipts:						
Utility fees	-	-	-	344,165	-	344,165
Penalties	-	-	-	4,663	-	4,663
Other receipts	88,320	-	368	2,361	42,434	133,483
Total receipts	88,320	-	368	351,189	42,434	482,311
Disbursements:						
Personal services	-	-	-	18,988	-	18,988
Other services and charges	-	-	-	2,239	-	2,239
Debt service - principal and interest	30,315	-	-	-	-	30,315
Utility operating expenses	-	-	-	321,003	-	321,003
Other disbursements	-	-	42,434	88,320	-	130,754
Total disbursements	30,315	-	42,434	430,550	-	503,299
Excess (deficiency) of receipts over disbursements	58,005	-	(42,066)	(79,361)	42,434	(20,988)
Cash and investments - ending	\$ 139,950	\$ 56,016	\$ 62,220	\$ 257,627	\$ 42,434	\$ 558,247

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

	Bond & Interest	Construction	Debt Service Reserve	Operating Fund	Improvement Fund	Totals
Cash and investments - beginning	\$ 139,950	\$ 56,016	\$ 62,220	\$ 257,627	\$ 42,434	\$ 558,247
Receipts:						
Utility fees	-	-	-	369,728	-	369,728
Penalties	-	-	-	6,994	-	6,994
Other receipts	91,080	13,371	332	1,972	892	107,647
Total receipts	91,080	13,371	332	378,694	892	484,369
Disbursements:						
Personal services	-	-	-	18,748	-	18,748
Other services and charges	-	-	-	2,382	-	2,382
Debt service - principal and interest	68,642	-	-	-	-	68,642
Capital outlay	-	63,371	-	-	-	63,371
Utility operating expenses	-	-	-	357,889	-	357,889
Other disbursements	-	-	694	91,080	13,371	105,145
Total disbursements	68,642	63,371	694	470,099	13,371	616,177
Excess (deficiency) of receipts over disbursements	22,438	(50,000)	(362)	(91,405)	(12,479)	(131,808)
Cash and investments - ending	\$ 162,388	\$ 6,016	\$ 61,858	\$ 166,222	\$ 29,955	\$ 426,439

K & H REGIONAL SEWER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
K & H Regional Sewer District	-	53,155
Totals	\$ -	\$ 53,155

K & H 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		
K & H Regional Sewer District: Revenue bonds	Funding for improvements to system	\$ 580,000	\$ 89,687
Totals		<u>\$ 580,000</u>	<u>\$ 89,687</u>

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K & H 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>
Governmental activities:	
Total governmental activities	<u>\$ -</u>
K & H Regional Sewer District:	
Infrastructure	2,122,127
Improvements other than buildings	<u>63,371</u>
Total K & H Regional Sewer District	<u>2,185,498</u>
Total capital assets	<u><u>\$ 2,185,498</u></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/>.