

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

FULDA REGIONAL SEWER DISTRICT

SPENCER COUNTY, INDIANA

January 1, 2011 to December 31, 2013



FILED
09/12/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Secretary	Kathy J. Seckinger	01-01-11 to 12-31-17
Treasurer	John Wesner	01-01-11 to 12-31-17
President of the Board	Othmar G. Mullis (deceased) George Schaefer	01-01-11 to 08-12-12 08-13-12 to 12-31-17



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 FULDA REGIONAL SEWER DISTRICT, SPENCER COUNTY, INDIANA

We have examined the accompanying financial statements of the Fulda Regional Sewer District (District), for the period of January 1, 2011 to December 31, 2013. The District's management is responsible for the fair presentation of these financial statements in accordance with the prescribed basis of accounting described in Note 1. Our responsibility is to express an opinion on the financial statements based on our examination.

Except as stated in the fifth paragraph, our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statements. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, 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.

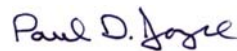
In our opinion, because of the matter described in the preceding paragraph, the financial statements for the period of January 1, 2011 to December 31, 2013, referred to above, do not present, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

Our examination disclosed that the District did not maintain invoices and other supporting documentation for operating fund disbursements. The District's records did not permit adequate testing of those funds and, accordingly, we were unable to determine if operating fund disbursements were obligations of the District.

In our opinion, except for the effects on the financial statements, if any, of not maintaining the records mentioned in the preceding paragraph, the financial statements for the period of January 1, 2011 to December 31, 2013, referred to above, present fairly the financial position and results of operations of the District on the basis of accounting described in Note 1 to the financial statements, in all material respects.

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, CPA
State Examiner

July 27, 2017

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.

FULDA 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
Sewer Wastewater Operating	\$ 23,326	\$ 53,912	\$ 60,756	\$ 16,482	\$ 96,562	\$ 56,708	\$ 56,336
Sewer Construction Retainage	32	-	32	-	-	-	-
Sewer Bond And Interest	22,993	25,178	27,220	20,951	29,756	27,249	23,458
Sewer Debt Reserve	28,402	-	917	27,485	-	-	27,485
Sewer Emergency Fund	31,882	15	-	31,897	12	-	31,909
Totals	<u>\$ 106,635</u>	<u>\$ 79,105</u>	<u>\$ 88,925</u>	<u>\$ 96,815</u>	<u>\$ 126,330</u>	<u>\$ 83,957</u>	<u>\$ 139,188</u>

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

FULDA REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
Sewer Wastewater Operating	\$ 56,336	\$ 51,712	\$ 99,705	\$ 8,343
Sewer Bond And Interest	23,458	25,178	27,246	21,390
Sewer Debt Reserve	27,485	-	-	27,485
Sewer Emergency Fund	<u>31,909</u>	<u>7</u>	<u>-</u>	<u>31,916</u>
Totals	<u>\$ 139,188</u>	<u>\$ 76,897</u>	<u>\$ 126,951</u>	<u>\$ 89,134</u>

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

FULDA 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. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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.

FULDA 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. Amounts disbursed 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. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

FULDA 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, the following: 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 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 - UNEXAMINED

The District's Annual Financial Reports 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 District's Annual Financial Reports 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.

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

	Sewer Wastewater Operating	Sewer Construction Retainage	Sewer Bond And Interest	Sewer Debt Reserve	Sewer Emergency Fund	Totals
Cash and investments - beginning	\$ 23,326	\$ 32	\$ 22,993	\$ 28,402	\$ 31,882	\$ 106,635
Receipts:						
Utility fees	52,923	-	-	-	-	52,923
Other receipts	989	-	25,178	-	15	26,182
Total receipts	<u>53,912</u>	<u>-</u>	<u>25,178</u>	<u>-</u>	<u>15</u>	<u>79,105</u>
Disbursements:						
Personal services	3,510	-	-	-	-	3,510
Other services and charges	1,411	-	-	-	-	1,411
Debt service - principal and interest	-	-	27,220	-	-	27,220
Capital outlay	12,567	-	-	-	-	12,567
Utility operating expenses	18,090	-	-	-	-	18,090
Other disbursements	25,178	32	-	917	-	26,127
Total disbursements	<u>60,756</u>	<u>32</u>	<u>27,220</u>	<u>917</u>	<u>-</u>	<u>88,925</u>
Excess (deficiency) of receipts over disbursements	<u>(6,844)</u>	<u>(32)</u>	<u>(2,042)</u>	<u>(917)</u>	<u>15</u>	<u>(9,820)</u>
Cash and investments - ending	<u>\$ 16,482</u>	<u>\$ -</u>	<u>\$ 20,951</u>	<u>\$ 27,485</u>	<u>\$ 31,897</u>	<u>\$ 96,815</u>

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

	Sewer Wastewater Operating	Sewer Construction Retainage	Sewer Bond And Interest	Sewer Debt Reserve	Sewer Emergency Fund	Totals
Cash and investments - beginning	\$ 16,482	\$ -	\$ 20,951	\$ 27,485	\$ 31,897	\$ 96,815
Receipts:						
Intergovernmental receipts	45,000	-	-	-	-	45,000
Utility fees	51,507	-	-	-	-	51,507
Other receipts	55	-	29,756	-	12	29,823
Total receipts	<u>96,562</u>	<u>-</u>	<u>29,756</u>	<u>-</u>	<u>12</u>	<u>126,330</u>
Disbursements:						
Other services and charges	1,311	-	-	-	-	1,311
Debt service - principal and interest	-	-	27,249	-	-	27,249
Utility operating expenses	25,641	-	-	-	-	25,641
Other disbursements	29,756	-	-	-	-	29,756
Total disbursements	<u>56,708</u>	<u>-</u>	<u>27,249</u>	<u>-</u>	<u>-</u>	<u>83,957</u>
Excess of receipts over disbursements	<u>39,854</u>	<u>-</u>	<u>2,507</u>	<u>-</u>	<u>12</u>	<u>42,373</u>
Cash and investments - ending	<u>\$ 56,336</u>	<u>\$ -</u>	<u>\$ 23,458</u>	<u>\$ 27,485</u>	<u>\$ 31,909</u>	<u>\$ 139,188</u>

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

	Sewer Wastewater Operating	Sewer Bond And Interest	Sewer Debt Reserve	Sewer Emergency Fund	Totals
Cash and investments - beginning	\$ 56,336	\$ 23,458	\$ 27,485	\$ 31,909	\$ 139,188
Receipts:					
Utility fees	51,712	-	-	-	51,712
Other receipts	-	25,178	-	7	25,185
Total receipts	51,712	25,178	-	7	76,897
Disbursements:					
Other services and charges	1,532	-	-	-	1,532
Debt service - principal and interest	-	27,246	-	-	27,246
Utility operating expenses	72,995	-	-	-	72,995
Other disbursements	25,178	-	-	-	25,178
Total disbursements	99,705	27,246	-	-	126,951
Excess (deficiency) of receipts over disbursements	(47,993)	(2,068)	-	7	(50,054)
Cash and investments - ending	<u>\$ 8,343</u>	<u>\$ 21,390</u>	<u>\$ 27,485</u>	<u>\$ 31,916</u>	<u>\$ 89,134</u>

FULDA REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Fulda Regional Sewer District:			
General obligation bonds	2004 SRF Loan	\$ 278,058	\$ 27,198
Totals		<u>\$ 278,058</u>	<u>\$ 27,198</u>

FULDA REGIONAL SEWER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2013

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.

	Ending Balance
Fulda Regional Sewer District:	
Land	\$ 26,160
Infrastructure	1,008,597
Total Fulda Regional Sewer District	1,034,757
Total capital assets	\$ 1,034,757

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/>.