

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

FINANCIAL STATEMENTS REVIEW REPORT  
OF

MARSHALL COUNTY SOLID WASTE  
MANAGEMENT DISTRICT  
MARSHALL COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/19/2019



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	(Vacant) Marianne Peters	01-01-15 to 03-12-15 03-13-15 to 12-31-19
President of the District Board	Duane Culp Jon Van Vactor	01-01-15 to 12-31-18 01-01-19 to 12-31-19



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE MARSHALL COUNTY SOLID WASTE  
MANAGEMENT DISTRICT, MARSHALL COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Marshall County Solid Waste Management District (District), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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. This includes determining that the basis of accounting the District uses is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error.

***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.


INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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. Our conclusion is not modified with respect to this matter.

  
Paul D. Joyce, CPA  
State Examiner

October 9, 2019

## 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.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2015 and 2016

⌘

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Solid Waste Management Fund	\$ 230,902	\$ 345,745	\$ 272,747	\$ 303,900	\$ 293,237	\$ 253,002	\$ 344,135
Rainy Day Fund	196,648	32,275	-	228,923	31,796	-	260,719
Payroll Clearing	1,167	47,476	46,195	2,448	46,151	47,998	601
Nonreverting Capital Fund	53,415	321,033	334,691	39,757	270,040	260,616	49,181
Totals	<u>\$ 482,132</u>	<u>\$ 746,529</u>	<u>\$ 653,633</u>	<u>\$ 575,028</u>	<u>\$ 641,224</u>	<u>\$ 561,616</u>	<u>\$ 654,636</u>

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

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Solid Waste Management Fund	\$ 344,135	\$ 328,229	\$ 251,013	\$ 421,351	\$ 305,009	\$ 281,674	\$ 444,686
Rainy Day Fund	260,719	32,984	386	293,317	36,239	-	329,556
Payroll Clearing	601	48,609	49,987	(777)	51,608	51,326	(495)
Nonreverting Capital Fund	49,181	272,418	283,058	38,541	300,003	296,760	41,784
<b>Totals</b>	<b>\$ 654,636</b>	<b>\$ 682,240</b>	<b>\$ 584,444</b>	<b>\$ 752,432</b>	<b>\$ 692,859</b>	<b>\$ 629,760</b>	<b>\$ 815,531</b>

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

MARSHALL COUNTY SOLID WASTE MANAGEMENT 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 a 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:

*Taxes.* Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

*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.

*Charges for services.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

**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.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*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.

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*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.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by December 31 of the year preceding the budget year or January 15 of the budget year if the District is issuing debt after December 1 or intends on filing a shortfall appeal. These rates were based upon the assessed valuations adjusted for various tax credits from the preceding year's lien date of January 1. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. 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 5. 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.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 6. Cash Balance Deficits**

The financial statements reported the Payroll Clearing fund with deficits in cash. This is a result of a change in insurance during the audit period.

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
REVIEW RESULTS AND COMMENTS

**FINANCIAL TRANSACTIONS AND REPORTING**

*Condition and Context*

There were no effective controls in place at the District to ensure the accuracy of the financial transactions and financial statements.

The District submitted their financial information into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the financial statements. The lack of effective controls allowed errors on the financial statements to remain undetected as follows:

1. The District's financial statements that were approved by the Director were not in agreement from one year to the next. The January 1, 2017 beginning balances did not agree to the December 31, 2016 cash and investments ending balances for the Solid Waste Management Fund, Payroll Clearing fund, and the Nonreverting Capital Fund.
2. The District received License Excise and Property Taxes totaling \$134,491 in December 2016; however, they were not recorded until January 2017. Receipts were understated in 2016 and overstated in 2017 by the amount of the distribution.
3. The District received Commercial Vehicle Excise Tax totaling \$1,229 in December 2017; however, it was not recorded until January 2018. Receipts were understated in 2017 and overstated in 2018 by the amount of the distribution.
4. There were multiple instances throughout the audit period in which receipts in the Solid Waste Management Fund were reported twice in the financial statements, which overstated receipts. Receipts were overstated in 2015 by \$1,457; in 2016 by \$1,490; and 2018 by \$41.
5. Payroll Fund - The District did not report the Payroll Clearing fund, which resulted in an understatements of the Payroll Clearing fund and overstatements of the Solid Waste Management Fund.

The net effect of the undetected errors was as follows:

Fund	Balance 01-01-15 Overstatement (Understatement)	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Balance 12-31-15 Overstatement (Understatement)
Solid Waste Management Fund	\$ -	\$ (4,328)	\$ 48,253	\$ (52,581)
Rainy Day Fund	-	106	-	106
Payroll Clearing	-	(47,476)	(46,195)	(1,281)
Nonreverting Capital Fund	-	-	(95,869)	95,869

Fund	Balance 01-01-16 Overstatement (Understatement)	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Balance 12-31-16 Overstatement (Understatement)
Solid Waste Management Fund	\$ (52,581)	\$ 48,180	\$ 47,998	\$ (52,399)
Rainy Day Fund	106	(67)	-	(173)
Payroll Clearing	(1,281)	(46,151)	(47,998)	566
Nonreverting Capital Fund	95,869	50,993	(3,521)	150,383

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
REVIEW RESULTS AND COMMENTS  
(Continued)

Fund	Balance 01-01-17 Overstatement (Understatement)	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Balance 12-31-17 Overstatement (Understatement)
Solid Waste Management Fund	\$ (152,858)	\$ 13,188	\$ 49,987	\$ (189,657)
Rainy Day Fund	(173)	(141)	(386)	72
Payroll Clearing	(601)	(48,609)	(49,987)	777
Nonreverting Capital Fund	15,505	(2,408)	(8,793)	21,890

Fund	Balance 01-01-18 Overstatement (Understatement)	Receipts Overstatement (Understatement)	Disbursements Overstatement (Understatement)	Balance 12-31-18 Overstatement (Understatement)
Solid Waste Management Fund	\$ (189,657)	\$ 52,646	\$ 51,326	\$ (188,337)
Rainy Day Fund	72	(210)	-	(138)
Payroll Clearing	777	(51,608)	(51,326)	496
Nonreverting Capital Fund	21,890	-	(19,242)	41,133

Audit adjustments were proposed, accepted by the District, and made to the financial statements.

*Criteria*

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
REVIEW RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

## **TRANSFERS**

### *Condition and Context*

Transfers between funds were not presented to the District Board for approval during the audit period.

### *Criteria*

Indiana Code 5-11-10-2 states in part:

". . . (c) Notwithstanding subsection (b), only:

- (1) the chairperson of the board of directors of a solid waste management district established under [IC 13-21](#) or [IC 13-9.5](#) (before its repeal); or
- (2) the chairperson's designee;

is required to sign the claim form described under this section.

(d) The form prescribed under this section shall be prepared by or filed with the disbursing officer of the political subdivision, together with:

- (1) the supporting claims if payment is made under section 1 of this chapter; or
- (2) the supporting invoices or bills if payment is made under section 1.6 of this chapter.

All such documents shall be carefully preserved by the disbursing officer as a part of the official records of the office.

(e) Where under any law it is provided that each claim be allowed over the signatures of members of a governing body, or a claim docket or accounts payable voucher register be prepared listing claims to be considered for allowance, the form and procedure prescribed in this section shall be in lieu of the provisions of the other law. . . ."

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
REVIEW RESULTS AND COMMENTS  
(Continued)

**TRAINING AND CERTIFICATION ON INTERNAL CONTROL STANDARDS**

*Condition and Context*

The District failed to ensure training was provided for all personnel over the internal control standards adopted as required by Indiana Code 5-11-1-27(g). However, the District certified on Gateway that the District had provided employees with internal control training.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) the internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

MARSHALL COUNTY SOLID WASTE MANAGEMENT DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 9, 2019, with Marianne Peters, Director, and Jon Van Vactor, President of the District Board.