

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

EXAMINATION REPORT
OF

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
RUSH COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
08/24/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marvin D. Kuhn	08-05-04 to 08-05-07
President of the Board	Fred Lee, Jr. Daniel W. Scott	08-05-04 to 03-31-05 04-01-05 to 03-12-09



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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 WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT, RUSH COUNTY, INDIANA

We have examined the financial information presented herein of Western Rush County Regional Water and Sewer District (District), for the period of January 1, 2005 to December 31, 2006. The District's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Financial records presented for examination were incomplete and not reflective of the activity of the District. The records presented did not provide sufficient information to examine receipts, disbursements, or the accuracy or correctness of the transactions.

Because of the restrictions on our examination as discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on whether schedules referred to above present fairly, in all material respects, the cash transactions of the District for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 25, 2007

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Operating Fund	\$ (18,808)	\$ 307,459	\$ 253,818	\$ 34,833
Bond and Interest	28,686	57,600	57,872	28,414
Debt Service Reserve	25,175	5,800	-	30,975
Construction Fund - Phase II	(151)	-	-	(151)
Totals	<u>\$ 34,902</u>	<u>\$ 370,859</u>	<u>\$ 311,690</u>	<u>\$ 94,071</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Operating Fund	\$ 34,833	\$ 223,379	\$ 266,576	\$ (8,364)
Bond and Interest	28,414	49,075	57,877	19,612
Debt Service Reserve	30,975	4,834	-	35,809
Construction Fund - Phase II	(151)	-	-	(151)
Totals	<u>\$ 94,071</u>	<u>\$ 277,288</u>	<u>\$ 324,453</u>	<u>\$ 46,906</u>

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

WESTERN RUSH COUNTY REGIONAL
WATER AND 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: wastewater treatment.

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.

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

PETTY CASH FUND

The Petty Cash Fund did not have receipt forms or other documentation for all transactions.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Special Districts, Chapter 10)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Utility Funds. The records presented did not provide sufficient information to examine receipts and disbursements, or the accuracy or correctness of the transactions. The general ledger for the year 2005 was not presented for examination. Not all cash transactions were posted to the general ledger. Specifically, the payment of principal and interest on bonds was not posted to the general ledger. July 2006 billings were not posted to the general ledger and accounts receivable had a credit balance throughout 2006. Bank reconciliations were not always properly performed.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SHERIFF'S INVESTIGATION

In September of 2006, District officials contacted the Rush County Sheriff's office regarding the activities of a District employee. A subsequent investigation performed by the Sheriff's office resulted in the discovery of the following:

The Utility Clerk, Kelly Lynn Whittaker, issued generic receipt forms to customers that paid in person at the District's office. The type of payment was indicated on the receipt form as cash, check, or money order. The total of the cash receipt forms issued for each month that the Clerk worked for the District in 2006 was more than the cash deposited in the bank. There were no cash deposits in July 2006 even though the generic receipt forms indicate cash collections totaling \$825.00. The total of cash collected that was not deposited is \$3,759.50. (See Summary, page 9)

The Utility Clerk, Kelly Lynn Whittaker, made unauthorized purchases for personal use at Wal-Mart, Orscheln Farm & Home, and Dawson's BP. The unauthorized purchases at Wal-Mart in Rushville, Greensburg, and Shelbyville totaled \$618.77. The unauthorized purchases at Orscheln Farm & Home totaled \$352.67. The unauthorized fuel purchases at Dawson's BP totaled \$435.00. (See Summary, page 9)

Indiana Code 5-13-6-1(c) states in part: "Public funds deposited . . . shall be deposited in the same form in which they were received."

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 14-4)

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on June 25, 2007, with Daniel W. Scott, President of the Board; and Marvin D. Kuhn, Treasurer.

WESTERN RUSH COUNTY REGIONAL
WATER AND SEWER DISTRICT
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Kelly Lynn Whittaker, Utility Clerk: Sheriff's Investigation, page 7	<u>\$ 5,165.94</u>	<u>\$ -</u>	<u>\$ 5,165.94</u>

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AFFIDAVIT

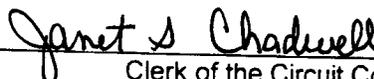
STATE OF INDIANA)
)
DECATUR COUNTY)

I, Robin White, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Western Rush County Regional Water and Sewer District, Rush County, Indiana, for the period from January 1, 2005, to December 31, 2006, is true and correct to the best of my knowledge and belief.



Field Examiner

Subscribed and sworn to before me this 22nd day of August, 2007



Clerk of the Circuit Court