

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

EXAMINATION REPORT  
OF  
JENNINGS NORTHWEST REGIONAL UTILITIES  
JENNINGS COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
12/31/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Dan Wooton	01-01-05 to 12-31-07
Utility Manager	Jeffrey Fish	01-01-05 to 12-31-07
President of the Board	Edwin Whitaker	01-01-05 to 12-31-07
Treasurer	David Brinkman	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE JENNINGS NORTHWEST REGIONAL  
UTILITIES, JENNINGS COUNTY, INDIANA

We have examined the financial information presented herein of the Jennings Northwest Regional Utilities (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.

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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information 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.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 21, 2007

JENNINGS NORTHWEST REGIONAL UTILITIES  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL PROPRIETARY AND FIDUCIARY 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:				
Water operating	\$ 75,549	\$ 710,933	\$ 685,519	\$ 100,963
Water customer deposit	33,652	9,971	17,290	26,333
Water bond and interest	58,438	136,224	158,523	36,139
Water debt service reserve	169,649	1,454	-	171,103
Wastewater operating	233,403	1,063,492	1,134,060	162,835
Wastewater customer deposit	51,104	16,991	30,931	37,164
Wastewater bond and interest	118,516	357,094	354,044	121,566
Wastewater debt service reserve	217,651	59,964	-	277,615
Fiduciary Funds:				
Clearing	1,000	1,432,524	1,419,925	13,599
Payroll	3,739	355,568	357,634	1,673
Totals	<u>\$ 962,701</u>	<u>\$ 4,144,215</u>	<u>\$ 4,157,926</u>	<u>\$ 948,990</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Water operating	\$ 100,963	\$ 710,529	\$ 669,096	\$ 142,396
Water customer deposit	26,333	715	7,576	19,472
Water bond and interest	36,139	148,207	132,320	52,026
Water debt service reserve	171,103	4,068	14,815	160,356
Wastewater operating	162,835	976,913	1,027,951	111,797
Wastewater customer deposit	37,164	1,011	10,970	27,205
Wastewater bond and interest	121,566	359,756	356,114	125,208
Wastewater debt service reserve	277,615	67,948	639	344,924
Fiduciary Funds:				
Clearing	13,599	1,635,906	1,642,708	6,797
Payroll	1,673	355,632	356,431	874
Totals	<u>\$ 948,990</u>	<u>\$ 4,260,685</u>	<u>\$ 4,218,620</u>	<u>\$ 991,055</u>

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

JENNINGS NORTHWEST REGIONAL UTILITIES  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District provides the following services: water treatment and wastewater treatment services.

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.

Note 4. Subsequent Event – Tentative Resignation of Board of Trustees

On November 19, 2007, the Board of Trustees adopted Resolution 2007-1. This resolution cites the District's current bonded indebtedness; shrinking customer base; Indiana Department of Environmental Management (IDEM) requests that the District make repairs and improvements to its sewer collection system and treatment plant, as well as expand sewer service into unserved areas of the District; all of which require funds the District does not have and which the Board of Trustees does not believe District customers can afford. This resolution further cites the Board of Trustees requested assistance from the State of Indiana, IDEM, and Jennings County to assist the District without any resulting assistance being received. Therefore, this resolution indicates the entire Board of Trustees intent to resign effective March 1, 2008, unless the State of Indiana, IDEM, or Jennings County can present a plan to resolve the District's financial difficulties.



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JENNINGS NORTHWEST REGIONAL UTILITIES  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 4,010
Buildings	17,176
Improvements other than buildings	1,039,483
Machinery and equipment	<u>42,110</u>
Total Water Utility capital assets	<u>1,102,779</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	98,649
Buildings	21,727
Improvements other than buildings	3,519,995
Machinery and equipment	<u>116,554</u>
Total Wastewater Utility capital assets	<u>3,756,925</u>
Total business-type activities capital assets	<u>\$ 4,859,704</u>



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JENNINGS NORTHWEST REGIONAL UTILITIES  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2006

The Unit has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
<b>Business-type Activities:</b>		
Water Utility		
Revenue bonds:		
Water utility acquisition	\$ 1,785,000	\$ 154,330
Wastewater Utility		
Revenue bonds:		
Wastewater utility acquisition	1,105,000	104,445
Wastewater state revolving fund	6,190,000	248,750
<b>Total Wastewater Utility</b>	<b>7,295,000</b>	<b>353,195</b>
<b>Total business-type activities debt:</b>	<b>\$ 9,080,000</b>	<b>\$ 507,525</b>

JENNINGS NORTHWEST REGIONAL UTILITIES  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the Clearing Account Fund balances to the bank account balances were not presented for examination.

Indian Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

NONCOMPLIANCE WITH BOND ORDINANCES (Applies to Wastewater Utility)

The District did not make required transfers to the Bond and Interest Fund and Debt Reserve Fund for August, September, October, and November 2007. As a result of not making the transfers as of September 1, 2007, the Bond and Interest Fund was insufficient to make the then scheduled bond and interest payment. To fund the payment a transfer from the Debt Service Reserve was made to the Bond and Interest Fund in the amount of \$19,440.

Section 11 of the Wastewater Revenue Bond Ordinance 2002-04, dated August 15, 2002, states in part:

"(b) . . . there shall be credited on the last day of each calendar month from the Revenue Fund to the Bond and Interest Account an amount of the Net Revenues equal to at least one-twelfth of the principal of and at least one-sixth of the interest on all then outstanding bonds payable on the then next succeeding principal and interest payment dates . . ."

"(c) The balance in the Reserve Account shall equal but not exceed, the maximum annual debt service on the bonds . . . monthly deposits of Net Revenues shall be made to accumulate the Reserve Requirement within five years of the date of delivery of the bonds."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

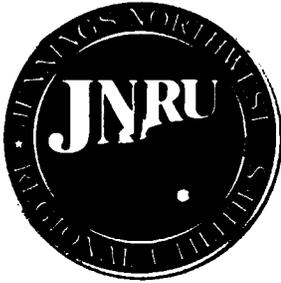
APPROVAL OF ACCOUNTING FORMS

Copies of accounting forms generated by the District's computer system have not been submitted to the State Board of Accounts for approval.

Decisions regarding the participation of districts with vendor software systems are the responsibility of the appropriate elected or appointed governing body of a district in accordance with statutory authority. Accordingly, a governing body, if desiring to use forms generated by a particular software program or package, may pass a resolution so stating their preference. The resolution and a letter would be sent to the State Board of Accounts for compliance with applicable statutes and regulations and to provide assurance that the district does indeed desire to use the forms. The forms submitted should be a facsimile of the prescribed system (headings and titles, etc.). Otherwise, a cross-reference to the prescribed form intended to be replaced should be submitted. The State Board of Accounts' approval is based upon compliance with the conditions outlined on Page 10-4 of the Special District's Manual and review during the audits of the district. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

JENNINGS NORTHWEST REGIONAL UTILITIES  
EXIT CONFERENCE

The contents of this report were discussed on November 21, 2007, with David Brinkman, Treasurer; Dan Wooten, Office Manager; Jeffrey Fish, Utility Manager; and Thomas Trulock, Vice President of the Board. The official response has been made a part of this report and may be found on page 10.



December 11, 2007

RE: SBOA Audit Response

- List of Employees Not Filed with County Treasurer
  - Pursuant to IC 6-1.1-22-14, a list of current employees and their current addresses have been filed with the Jennings County Treasurer.
- Bank Account Reconciliation
  - The Clearing Account fund was accounted for in a different format as the other funds, and contained errors that did not reconcile. The Clearing Account fund reconciliations are now being completed in the identical fashion as all other funds.
- Noncompliance with Bond Ordinances (Applies to Wastewater Utility)
  - The Jennings Northwest Regional Utilities' Board of Trustees are aware that they are not in compliance with the bond ordinances due to emergency repairs of the Wastewater Treatment Plant taking precedence over Bond Transfers.
- Approval of Accounting Forms.
  - I have been in contact with the Indiana State Board of Accounts as to a streamline approval process based on the Town of Fowler, Indiana.

Thank you,

*Dan Wooton*

Office Manager  
Jennings Northwest Regional Utilities