

**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, 2009 to December 31, 2010



**FILED**  
09/14/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Marvin D. Kuhn	08-05-08 to 08-04-12
President of the Board	Daniel W. Scott	03-13-08 to 03-12-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE WESTERN RUSH COUNTY REGIONAL  
WATER AND SEWER DISTRICT, RUSH COUNTY, INDIANA

We have examined the financial schedules of the Western Rush County Regional Water and Sewer District (District), for the period of January 1, 2009 to December 31, 2010. The District's management is responsible for the financial schedules. 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 schedules 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 schedules on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the 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 basis noted above is a different basis than that used in the prior year.

In our opinion, the financial schedules referred to above present fairly, in all material respects, the financial position and results of operations of the District for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, 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 financial schedules. They have not been subjected to the examination procedures applied to the financial schedules and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management, and the District Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

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FINANCIAL INFORMATION

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Operating	\$ (4,154)	\$ 257,791	\$ 257,465	\$ (3,828)
Bond And Interest	24,533	66,796	57,863	33,466
Debt Service Reserve	44,580	12,810	12,149	45,241
Petty Cash	100	-	-	100
Totals	<u>\$ 65,059</u>	<u>\$ 337,397</u>	<u>\$ 327,477</u>	<u>\$ 74,979</u>

The notes to the financial information are an integral part of this schedule.

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	\$ (3,828)	\$ 252,075	\$ 251,477	\$ (3,230)
Petty Cash	100	-	-	100
Bond And Interest	33,466	65,425	57,873	41,018
Debt Reserve	45,241	8,019	-	53,260
	<u>45,241</u>	<u>8,019</u>	<u>-</u>	<u>53,260</u>
Totals	<u>\$ 74,979</u>	<u>\$ 325,519</u>	<u>\$ 309,350</u>	<u>\$ 91,148</u>

The notes to the financial information are an integral part of this schedule.

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL INFORMATION

**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 schedules present the financial information for the District (primary government), and does not include financial information for any of the District's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial schedules of the District (primary government).

*B. Basis of Accounting*

The financial schedules are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 schedules. The aggregate receipts may include, but are not limited to, the following sources:

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution 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 which are comprised mostly of charges for current services.

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.

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial schedules. The aggregate disbursements may include, but are not limited to, 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.

Supplies which include 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 office supplies, operating supplies, and repair and maintenance supplies.

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.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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.

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL INFORMATION  
(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.

**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.

**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. These risks may also be mitigated by the District by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2009

	Operating	Bond And Interest	Debt Service Reserve	Petty Cash	Totals
Cash and investments - beginning	\$ (4,154)	\$ 24,533	\$ 44,580	\$ 100	\$ 65,059
Receipts:					
Utility fees	257,779	-	-	-	257,779
Other receipts	<u>12</u>	<u>66,796</u>	<u>12,810</u>	-	<u>79,618</u>
Total receipts	<u>257,791</u>	<u>66,796</u>	<u>12,810</u>	-	<u>337,397</u>
Disbursements:					
Debt service - principal and interest	77,024	57,853	-	-	134,877
Capital outlay	846	-	-	-	846
Utility operating expenses	179,595	-	-	-	179,595
Other disbursements	<u>-</u>	<u>10</u>	<u>12,149</u>	-	<u>12,159</u>
Total disbursements	<u>257,465</u>	<u>57,863</u>	<u>12,149</u>	-	<u>327,477</u>
Excess of receipts over disbursements	<u>326</u>	<u>8,933</u>	<u>661</u>	-	<u>9,920</u>
Cash and investments - ending	<u>\$ (3,828)</u>	<u>\$ 33,466</u>	<u>\$ 45,241</u>	<u>\$ 100</u>	<u>\$ 74,979</u>

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Operating	Petty Cash	Bond And Interest	Debt Reserve	Totals
Cash and investments - beginning	\$ (3,828)	\$ 100	\$ 33,466	\$ 45,241	\$ 74,979
Receipts:					
Utility fees	252,061	-	-	-	252,061
Other receipts	14	-	65,425	8,019	73,458
Total receipts	252,075	-	65,425	8,019	325,519
Disbursements:					
Debt service - principal and interest	83,000	-	57,863	-	140,863
Utility operating expenses	168,477	-	-	-	168,477
Other disbursements	-	-	10	-	10
Total disbursements	251,477	-	57,873	-	309,350
Excess of receipts over disbursements	598	-	7,552	8,019	16,169
Cash and investments - ending	\$ (3,230)	\$ 100	\$ 41,018	\$ 53,260	\$ 91,148

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2010

Capital assets are reported at actual. 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:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 65,864
Buildings	21,373
Improvements other than buildings	5,236,491
Transportation equipment	45,255
Machinery and equipment	<u>54,742</u>
Total Wastewater Utility capital assets	<u><u>5,423,725</u></u>

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Wastewater Utility:		
Notes and loans:		
Operating Loan	\$ 41,415	\$ 43,486
Revenue bonds:		
2001 Wastewater	297,900	18,006
2003 Wastewater	<u>669,800</u>	<u>39,941</u>
Total Wastewater Utility	<u>\$ 1,009,115</u>	<u>\$ 101,433</u>

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

***DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS***

As stated in the prior Report B36970 and during the current examination period, gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance provisions.

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)

***OVERDRAWN FUND BALANCES***

As stated in prior Report B36970 and during the current examination period, the Operating Fund was overdrawn in 2009 and 2010.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

WESTERN RUSH COUNTY REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 9, 2011, with Daniel W. Scott, President of the Board, and Marvin D. Kuhn, Treasurer.