

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF
ARLINGTON REGIONAL WATER AND SEWER DISTRICT
HUNTINGTON COUNTY, INDIANA
January 1, 2010 to December 31, 2012



FILED
10/16/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Scott Trauner	01-01-10 to 12-31-13
President of the District Board	Paul Hart	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ARLINGTON REGIONAL WATER AND
SEWER DISTRICT, HUNTINGTON COUNTY, INDIANA

We have examined the accompanying financial statement of the Arlington Regional Water and Sewer District (District), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement 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 statement 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 statement 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 effects on the financial statement 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. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2012.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2012, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

September 24, 2013

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FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2010, 2011, and 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Operating	\$ 11,388	\$ 55,788	\$ 40,463	\$ 26,713
Water Bond and Interest	3,978	14,184	14,421	3,741
Wastewater Bond and Interest	5,386	12,360	11,838	5,908
Water Debt Service Reserve	36,322	6,306	-	42,628
Wastewater Debt Service Reserve	27,688	4,629	-	32,317
Totals	<u>\$ 84,762</u>	<u>\$ 93,267</u>	<u>\$ 66,722</u>	<u>\$ 111,307</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Operating	\$ 26,713	\$ 50,595	\$ 31,421	\$ 45,887
Water Bond and Interest	3,741	14,184	14,070	3,855
Wastewater Bond and Interest	5,908	12,460	11,551	6,817
Water Debt Service Reserve	42,628	81	-	42,709
Wastewater Debt Service Reserve	32,317	56	-	32,373
Totals	<u>\$ 111,307</u>	<u>\$ 77,376</u>	<u>\$ 57,042</u>	<u>\$ 131,641</u>

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Operating	\$ 45,887	\$ 53,734	\$ 79,214	\$ 20,407
Water Bond and Interest	3,855	71,244	68,277	6,822
Wastewater Bond and Interest	6,817	55,300	61,799	318
Water Debt Service Reserve	42,709	59	30,000	12,768
Wastewater Debt Service Reserve	32,373	28	20,000	12,401
Totals	<u>\$ 131,641</u>	<u>\$ 180,365</u>	<u>\$ 259,290</u>	<u>\$ 52,716</u>

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

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the District.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include the following sources:

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.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

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.

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.

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, 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; 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the District's Annual Report information for years 2011 and later can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the District which are 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 supplementary information presented was approved by management of the District. It is presented as intended by the District.

ARLINGTON 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	Water Bond and Interest	Wastewater Bond and Interest	Water Debt Service Reserve	Wastewater Debt Service Reserve	Totals
Cash and investments - beginning	\$ 11,388	\$ 3,978	\$ 5,386	\$ 36,322	\$ 27,688	\$ 84,762
Receipts:						
Other receipts	55,788	14,184	12,360	6,306	4,629	93,267
Total receipts	55,788	14,184	12,360	6,306	4,629	93,267
Disbursements:						
Debt service - principal and interest	-	14,421	11,838	-	-	26,259
Other disbursements	40,463	-	-	-	-	40,463
Total disbursements	40,463	14,421	11,838	-	-	66,722
Excess (deficiency) of receipts over disbursements	15,325	(237)	522	6,306	4,629	26,545
Cash and investments - ending	<u>\$ 26,713</u>	<u>\$ 3,741</u>	<u>\$ 5,908</u>	<u>\$ 42,628</u>	<u>\$ 32,317</u>	<u>\$ 111,307</u>

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

	Operating	Water Bond and Interest	Wastewater Bond and Interest	Water Debt Service Reserve	Wastewater Debt Service Reserve	Totals
Cash and investments - beginning	\$ 26,713	\$ 3,741	\$ 5,908	\$ 42,628	\$ 32,317	\$ 111,307
Receipts:						
Other receipts	50,595	14,184	12,460	81	56	77,376
Total receipts	50,595	14,184	12,460	81	56	77,376
Disbursements:						
Debt service - principal and interest	-	14,070	11,551	-	-	25,621
Other disbursements	31,421	-	-	-	-	31,421
Total disbursements	31,421	14,070	11,551	-	-	57,042
Excess of receipts over disbursements	19,174	114	909	81	56	20,334
Cash and investments - ending	\$ 45,887	\$ 3,855	\$ 6,817	\$ 42,709	\$ 32,373	\$ 131,641

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

	Operating	Water Bond and Interest	Wastewater Bond and Interest	Water Debt Service Reserve	Wastewater Debt Service Reserve	Totals
Cash and investments - beginning	\$ 45,887	\$ 3,855	\$ 6,817	\$ 42,709	\$ 32,373	\$ 131,641
Receipts:						
Other receipts	53,734	71,244	55,300	59	28	180,365
Total receipts	53,734	71,244	55,300	59	28	180,365
Disbursements:						
Debt service - principal and interest	-	68,277	61,799	-	-	130,076
Other disbursements	79,214	-	-	30,000	20,000	129,214
Total disbursements	79,214	68,277	61,799	30,000	20,000	259,290
Excess (deficiency) of receipts over disbursements	(25,480)	2,967	(6,499)	(29,941)	(19,972)	(78,925)
Cash and investments - ending	<u>\$ 20,407</u>	<u>\$ 6,822</u>	<u>\$ 318</u>	<u>\$ 12,768</u>	<u>\$ 12,401</u>	<u>\$ 52,716</u>

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Regional Water and Sewer District	<u>\$ -</u>	<u>\$ 36,294</u>

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Revenue bonds:			
Waterworks revenue bonds payable	Water infrastructure	\$ 57,000	\$ 1,112
Sewage works revenue bonds payable	Wastewater infrastructure	<u>46,000</u>	<u>943</u>
Totals		<u>\$ 103,000</u>	<u>\$ 2,055</u>

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
EXAMINATION RESULT AND COMMENT

ANNUAL REPORT

The Special District Annual Reports (SDAR) for 2011 and 2012 were not filed with the state examiner.

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."

ARLINGTON REGIONAL WATER AND SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 24, 2013, with Scott Trauner, Treasurer.
The official concurred with our finding.