

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

EXAMINATION REPORT

OF

NORWOOD REGIONAL WATER AND SEWER DISTRICT

HUNTINGTON COUNTY, INDIANA

January 1, 2007 to December 31, 2009



**FILED**  
12/28/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Utility Manager	David Hacker	01-01-07 to 12-31-10
Treasurer	Rhonda Adams	01-01-07 to 11-01-07
	Vacant	11-02-07 to 01-02-08
	Barbara Sharp	01-03-08 to 12-31-08
	Vacant	01-01-09 to 04-01-09
President of the Board	Victoria Allen	04-02-09 to 12-31-10
	A. Dee Hinesley	01-01-07 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Norwood Regional Water and Sewer District (District), for the period of January 1, 2007 to December 31, 2009. 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, 2007, 2008 and 2009, 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 1, 2010

NORWOOD 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, 2007, 2008 And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Proprietary Funds:				
Water - Operating	\$ 32,444	\$ 219,347	\$ 194,804	\$ 56,987
Water - Bond and Interest	59,232	92,673	92,044	59,861
Water - Construction	14,182	151,809	134,929	31,062
Wastewater - Operating	-	311,161	311,161	-
Wastewater - Bond and Interest	69,108	120,289	115,790	73,607
Wastewater - Construction	20,313	428,040	443,192	5,161
Totals	<u>\$ 195,279</u>	<u>\$ 1,323,319</u>	<u>\$ 1,291,920</u>	<u>\$ 226,678</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Proprietary Funds:				
Water - Operating	\$ 56,987	\$ 201,750	\$ 180,435	\$ 78,302
Water - Bond and Interest	59,861	92,889	92,281	60,469
Water - Construction	31,062	-	31,062	-
Wastewater - Operating	-	320,730	320,730	-
Wastewater - Bond and Interest	73,607	121,433	121,003	74,037
Wastewater - Construction	5,161	-	5,161	-
Sanitation - Operating	-	10,553	10,553	-
Totals	<u>\$ 226,678</u>	<u>\$ 747,355</u>	<u>\$ 761,225</u>	<u>\$ 212,808</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Proprietary Funds:				
Water - Operating	\$ 78,302	\$ 170,673	\$ 222,321	\$ 26,654
Water - Bond and Interest	60,469	93,064	92,477	61,056
Wastewater - Operating	-	307,958	307,958	-
Wastewater - Bond and Interest	74,037	126,370	120,931	79,476
Sanitation - Operating	-	21,499	21,499	-
Totals	<u>\$ 212,808</u>	<u>\$ 719,564</u>	<u>\$ 765,186</u>	<u>\$ 167,186</u>

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

NORWOOD 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 services: water and wastewater 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. Rate Structure

The current rate structures were approved by the District for water services on June 7, 2005 and for wastewater services on December 21, 2005. The District has 263 customers.

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 5. Pension Plan

Public Employees' Retirement Fund

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2009

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>Ending Balance</u>
Business-type activities:	
Capital assets, not being depreciated:	
Land	\$ 88,371
Infrastructure	7,311,028
Buildings	6,257
Improvements other than buildings	3,650
Machinery and equipment	<u>49,690</u>
Total business-type activities capital assets	<u>\$ 7,458,996</u>

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Revenue bonds:		
Water Revenue Bonds, 2005 Series A	\$ 1,369,000	72,142
Water Revenue Bonds, 2005 Series B	378,000	20,489
Sewer Revenue Bonds, 2005 Series A	2,064,000	111,210
Sewer Revenue Bonds, 2005 Series B	<u>180,000</u>	<u>9,608</u>
Total business-type activities debt	<u>\$ 3,991,000</u>	<u>\$ 213,449</u>

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

The Debt Service Reserve Funds have not been established for either the water or sewer revenue bond issues. Therefore, gross revenues were not being transferred to the Debt Service Reserve Funds in accordance with the revenue bond ordinances. A similar comment appeared in prior Report B31006.

Section 14(b) "Debt Service Reserve Account" for each revenue bond ordinance states:

"There shall be transferred, on the last day of each calendar month, . . . equal amounts sufficient to accumulate the Reserve Requirement within ten (10) years of the date of delivery of the Bonds, which amount shall constitute an appropriate reserve to facilitate the marketing of the Bonds, which reserve amount shall equal the lesser of (i) the maximum annual debt service on the Bonds, (ii) 125% of the average annual debt service on the Bonds, or (iii) ten percent (10%) of the proceeds of the Bonds."

In addition, Ordinance 2005-9 Section 1.(b) establishes a \$2.85 reserve charge per month for residents of Yakes Subdivision. This reserve charge is to go into a Reserve Charge Account until the account reaches \$10,370, at which time the monthly fee shall be discontinued. This account has not been established.

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)

CONDITION OF RECORDS - ACCOUNTS RECEIVABLE

The Customer Aged A/R (Accounts Receivable) Report as of December 31, 2009, was not in agreement with the accounts receivable balances in the Detailed Trial Balance as indicated.

Customer Aged A/R Report	<u>\$ 32,577</u>
Water Accounts Receivable	\$ 3,518
Wastewater Accounts Receivable	39,682
Yakes Accounts Receivable	11,171
Sanitation Accounts Receivable	<u>2,485</u>
Total per Detailed Trial Balance	<u>\$ 56,856</u>

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)

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSETS – NO CAPITALIZATION POLICY

The District has no formal policy for establishing the threshold at which capital assets are to be recorded. A similar comment appeared in prior Report B31006.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 16)

CAPITAL ASSET RECORDS

The District does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to respective Utility Plant in Service accounts in the General Ledger. However, records providing supporting detail of the historical costs of the capital assets are not maintained.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset Ledger. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORMS

The following prescribed or approved form was not in use:

Capital Asset Ledger (General Form 369)

A similar comment appeared in prior Report B31006.

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)

APPROVAL OF FORMS – COMPUTERIZED SYSTEMS

The District is using forms which are not approved for use in lieu of prescribed forms. A similar comment appeared in prior Report B31006.

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)

NORWOOD REGIONAL WATER AND SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on November 1, 2010, with Victoria Allen, Treasurer, and David Hacker, Utility Manager.