

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

EXAMINATION REPORT  
OF  
TURKEY CREEK REGIONAL SEWER DISTRICT  
KOSCIUSKO COUNTY, INDIANA  
January 1, 2010 to December 31, 2010



**FILED**  
09/20/2011



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Pamela M. Johns	01-01-10 to 12-31-11
Superintendent	Timothy Woodward	01-01-10 to 12-31-11
Treasurer	James M. Evans	01-01-10 to 12-31-11
President of the Town Council	Rex A. Heil	01-01-10 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TURKEY CREEK REGIONAL  
SEWER DISTRICT, KOSCIUSKO COUNTY, INDIANA

We have examined the financial statement of the Turkey Creek Regional Sewer District (District), for the period of January 1, 2010 to December 31, 2010. The District's management is responsible for the financial statement. 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 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 basis noted above is a different basis than that used in the prior year.

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 year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the District's management and governing 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 17, 2011

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FINANCIAL STATEMENT

TURKEY CREEK REGIONAL SEWER DISTRICT  
STATEMENT 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
Water Utility Operating	\$ 36,230	\$ 53,173	\$ 57,736	\$ 31,667
Water Utility Customer Deposit	5,650	450	1,200	4,900
Wastewater Utility Operating	980,300	908,556	1,758,556	130,300
Wastewater Bond And Interest	437,113	518,580	518,034	437,659
Wastewater Swi	147,256	1,326,672	599,357	874,571
Buttermilk Dedicated	41,105	-	-	41,105
Totals	<u>\$ 1,647,654</u>	<u>\$ 2,807,431</u>	<u>\$ 2,934,883</u>	<u>\$ 1,520,202</u>

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

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

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

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.

*E. Disbursements*

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

TURKEY CREEK REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

TURKEY CREEK REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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 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 any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

TURKEY CREEK REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	Water Utility Operating	Water Utility Customer Deposit	Wastewater Utility Operating	Wastewater Bond And Interest	Wastewater Swi	Buttermilk Dedicated	Totals
Cash and investments - beginning	\$ 36,230	\$ 5,650	\$ 980,300	\$ 437,113	\$ 147,256	\$ 41,105	\$ 1,647,654
Receipts:							
Utility fees	49,851	-	908,556	518,580	676,672	-	2,153,659
Other receipts	3,322	450	-	-	650,000	-	653,772
Total receipts	53,173	450	908,556	518,580	1,326,672	-	2,807,431
Disbursements:							
Debt service - principal and interest	-	-	-	518,034	-	-	518,034
Capital outlay	-	-	-	-	19,167	-	19,167
Utility operating expenses	57,736	-	908,556	-	-	-	966,292
Other disbursements	-	1,200	850,000	-	580,190	-	1,431,390
Total disbursements	57,736	1,200	1,758,556	518,034	599,357	-	2,934,883
Excess (deficiency) of receipts over disbursements	(4,563)	(750)	(850,000)	546	727,315	-	(127,452)
Cash and investments - ending	\$ 31,667	\$ 4,900	\$ 130,300	\$ 437,659	\$ 874,571	\$ 41,105	\$ 1,520,202

TURKEY CREEK REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 199,444
Buildings	837,118
Improvements other than buildings	15,465,467
Transportation equipment	48,790
Machinery and equipment	<u>2,064,957</u>
Total Wastewater Utility capital assets	<u>18,615,776</u>
Water Utility:	
Capital assets, not being depreciated:	
Land	27,540
Buildings	232,805
Improvements other than buildings	242,616
Machinery and equipment	<u>149,996</u>
Total Water Utility capital assets	<u>652,957</u>
Total business-type activities capital assets	<u>\$ 19,268,733</u>

TURKEY CREEK REGIONAL SEWER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Notes and loans payable:		
State Revolving Loan	\$ 2,256,022	\$ 196,912
Revenue bonds:		
Refunding Revenue Bonds of 2004	115,000.00	117,214.00
Sewage Works Revenue Bonds of 2008	<u>1,605,000.00</u>	<u>201,158.00</u>
Total debt	<u>\$ 3,976,022</u>	<u>\$ 515,284</u>

TURKEY CREEK REGIONAL SEWER DISTRICT  
EXAMINATION RESULT AND COMMENT

***INVESTMENT MATURITY LIMITATIONS***

The governmental unit purchased Certificate of Deposit investments which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states in part: ". . . investments made under this chapter must have a stated final maturity of not more than . . . two (2) years . . . after the date of purchase or entry into a repurchase agreement."

TURKEY CREEK REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on August 17, 2011, with James M. Evans, Treasurer; Rex A. Heil, President of the Town Council; and Pamela M. Johns, Office Manager.