

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

EXAMINATION REPORT
OF
BLUE RIVER REGIONAL WATER DISTRICT
CRAWFORD COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
08/11/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	David Mauck	01-01-09 to 12-31-11
Manager	Gary W. Holloway	01-01-09 to 12-31-11
Financial Clerk	Lisa Roberts	01-01-09 to 12-31-11
President of the Board	Eric Satterfield	01-01-09 to 12-31-11



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BLUE RIVER REGIONAL
WATER DISTRICT, CRAWFORD COUNTY, INDIANA

We have examined the financial statements of the Blue River Regional Water District (District), for the period of January 1, 2009 to December 31, 2010. The District's management is responsible for the financial statements. 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 statements 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 statements 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 statements 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 statements. They have not been subjected to the examination procedures applied to the financial statements 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's 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

July 5, 2011

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FINANCIAL STATEMENT(S)

BLUE RIVER REGIONAL WATER DISTRICT
STATEMENT 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	\$ 276,053	\$ 892,150	\$ 849,234	\$ 318,969
Bond And Interest	21,923	57,840	50,386	29,377
Debt Reserve	59,415	274	46	59,643
Construction	20,000	33,308	29,694	23,614
Customer Deposit	24,360	6,050	5,690	24,720
Totals	<u>\$ 401,751</u>	<u>\$ 989,622</u>	<u>\$ 935,050</u>	<u>\$ 456,323</u>

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

BLUE RIVER REGIONAL WATER 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
Operating	\$ 318,969	\$ 928,292	\$ 908,692	\$ 338,569
Bond And Interest	29,377	87,840	87,191	30,026
Debt Reserve	59,643	184	42	59,785
Construction	23,614	25,008	4,271	44,351
Customer Deposit	24,720	5,775	4,925	25,570
Totals	<u>\$ 456,323</u>	<u>\$ 1,047,099</u>	<u>\$ 1,005,121</u>	<u>\$ 498,301</u>

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

BLUE RIVER REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT(S)

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(s) present(s) 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 information of the District (primary government).

B. Basis of Accounting

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the District.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

BLUE RIVER REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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:

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.

BLUE RIVER REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

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. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

BLUE RIVER REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. 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 5. 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.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is 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 percent 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:

BLUE RIVER REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Blue River Regional Water District's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

BLUE RIVER REGIONAL WATER 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 Reserve	Construction	Customer Deposit	Totals
Cash and investments - beginning	\$ 276,053	\$ 21,923	\$ 59,415	\$ 20,000	\$ 24,360	\$ 401,751
Receipts:						
Utility fees	445,824	-	-	-	-	445,824
Other receipts	446,326	57,840	274	33,308	6,050	543,798
Total receipts	892,150	57,840	274	33,308	6,050	989,622
Disbursements:						
Debt service - principal and interest	-	50,386	-	-	-	50,386
Capital outlay	6,200	-	-	29,694	-	35,894
Utility operating expenses	289,179	-	-	-	-	289,179
Other disbursements	553,855	-	46	-	5,690	559,591
Total disbursements	849,234	50,386	46	29,694	5,690	935,050
Excess of receipts over disbursements	42,916	7,454	228	3,614	360	54,572
Cash and investments - ending	\$ 318,969	\$ 29,377	\$ 59,643	\$ 23,614	\$ 24,720	\$ 456,323

BLUE RIVER REGIONAL WATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Operating	Bond And Interest	Debt Reserve	Construction	Customer Deposit	Totals
Cash and investments - beginning	\$ 318,969	\$ 29,377	\$ 59,643	\$ 23,614	\$ 24,720	\$ 456,323
Receipts:						
Utility fees	443,611	-	-	-	-	443,611
Other receipts	<u>484,681</u>	<u>87,840</u>	<u>184</u>	<u>25,008</u>	<u>5,775</u>	<u>603,488</u>
Total receipts	<u>928,292</u>	<u>87,840</u>	<u>184</u>	<u>25,008</u>	<u>5,775</u>	<u>1,047,099</u>
Disbursements:						
Debt service - principal and interest	57,840	87,191	-	-	-	145,031
Utility operating expenses	304,810	-	-	-	-	304,810
Other disbursements	<u>546,042</u>	<u>-</u>	<u>42</u>	<u>4,271</u>	<u>4,925</u>	<u>555,280</u>
Total disbursements	<u>908,692</u>	<u>87,191</u>	<u>42</u>	<u>4,271</u>	<u>4,925</u>	<u>1,005,121</u>
Excess of receipts over disbursements	<u>19,600</u>	<u>649</u>	<u>142</u>	<u>20,737</u>	<u>850</u>	<u>41,978</u>
Cash and investments - ending	<u>\$ 338,569</u>	<u>\$ 30,026</u>	<u>\$ 59,785</u>	<u>\$ 44,351</u>	<u>\$ 25,570</u>	<u>\$ 498,301</u>

BLUE RIVER REGIONAL WATER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

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:	
Capital assets, not being depreciated:	
Land	\$ 38,184
Buildings	143,150
Improvements other than buildings	2,556,056
Machinery and equipment	<u>123,258</u>
Total business-type activities capital assets	<u>\$ 2,860,648</u>

BLUE RIVER REGIONAL WATER 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:		
Notes and Loans payable	\$ 45,192	\$ 14,279
Revenue Bonds:		
2002 Waterworks Revenue Bonds	<u>287,123</u>	<u>42,377</u>
Total business-type activities debt	<u>\$ 332,315</u>	<u>\$ 56,656</u>

BLUE RIVER REGIONAL WATER DISTRICT
EXAMINATION RESULT(S) AND COMMENT(S)

PERSONAL EXPENSES

During the examination period, expenses were paid by the District for beverages, snack foods, eating utensils, and funeral flowers.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The salary ordinance for both 2009 and 2010 states that the District shall provide each employee, Board member and the District Attorney, with a ham as a Christmas Bonus in December, with a value that does not exceed sixty dollars (\$60.00). The value of the hams were not included as compensation on the employees W-2's or the Attorney's 1099 for both 2009 and 2010.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

BLUE RIVER REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on July 5, 2011, with Eric Satterfield, President of the Board; Gary W. Holloway, Manager; and Lisa Roberts, Financial Clerk. The officials concurred with our findings.