

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LAKE BRUCE CONSERVANCY DISTRICT

FULTON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/10/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Richard Tompos	01-01-10 to 02-07-11
	Teresa Mollencupp	02-08-11 to 02-16-12
	Ron Wingerter	02-17-12 to 07-13-12
	Don Morning	07-14-12 to 12-31-12
President of the Board	Gerald Porter	01-01-10 to 07-13-12
	Ron Wingerter	07-14-12 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE BRUCE CONSERVANCY DISTRICT, FULTON COUNTY, INDIANA

We have examined the accompanying financial statements of the Lake Bruce Conservancy District (District), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the financial statements 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, 2010 and 2011, 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 statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Receivables, Schedule of Debt, and Schedule of Capital Assets, 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, District's Board, and others within the entity 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

September 6, 2012

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FINANCIAL STATEMENTS

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

LAKE BRUCE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Sewer Revenue	\$ 53,408	\$ 309,784	\$ 248,904	\$ 114,288
Sewer Sinking	67,793	134,641	135,270	67,164
Sewer Construction	2	16,759	16,759	2
General	4,785	140,990	55,722	90,053
Build Indiana	32,362	604	-	32,966
Totals	<u>\$ 158,350</u>	<u>\$ 602,778</u>	<u>\$ 456,655</u>	<u>\$ 304,473</u>

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

LAKE BRUCE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 90,053	\$ 58,738	\$ 30,021	\$ 118,770
Build Indiana	32,966	55	-	33,021
Sewer Maintenance	-	20,027	-	20,027
Bond Reserve	-	30,000	-	30,000
Sewer Construction	2	11,053	11,055	-
Sewer Revenue	114,288	287,005	298,914	102,379
Sewer Sinking	67,164	133,777	134,017	66,924
Totals	<u>\$ 304,473</u>	<u>\$ 540,655</u>	<u>\$ 474,007</u>	<u>\$ 371,121</u>

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

LAKE BRUCE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS

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 statements present the financial information for the District.

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 include 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.

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.

Penalties which include fees received for late payments.

LAKE BRUCE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 include 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 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

LAKE BRUCE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

LAKE BRUCE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the District's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

Differences may be noted between the financial information presented in the financial statements 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.

LAKE BRUCE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Sewer Revenue	Sewer Sinking	Sewer Construction	General	Build Indiana	Totals
Cash and investments - beginning	\$ 53,408	\$ 67,793	\$ 2	\$ 4,785	\$ 32,362	\$ 158,350
Receipts:						
Taxes	-	-	-	108,099	-	108,099
Intergovernmental	-	-	16,759	7,926	-	24,685
Utility fees	309,559	134,641	-	-	-	444,200
Other receipts	225	-	-	24,965	604	25,794
Total receipts	<u>309,784</u>	<u>134,641</u>	<u>16,759</u>	<u>140,990</u>	<u>604</u>	<u>602,778</u>
Disbursements:						
Debt service - principal and interest	-	135,270	-	-	-	135,270
Capital outlay	-	-	16,759	-	-	16,759
Utility operating expenses	114,097	-	-	31,209	-	145,306
Other disbursements	134,807	-	-	24,513	-	159,320
Total disbursements	<u>248,904</u>	<u>135,270</u>	<u>16,759</u>	<u>55,722</u>	<u>-</u>	<u>456,655</u>
Excess (deficiency) of receipts over disbursements	<u>60,880</u>	<u>(629)</u>	<u>-</u>	<u>85,268</u>	<u>604</u>	<u>146,123</u>
Cash and investments - ending	<u>\$ 114,288</u>	<u>\$ 67,164</u>	<u>\$ 2</u>	<u>\$ 90,053</u>	<u>\$ 32,966</u>	<u>\$ 304,473</u>

LAKE BRUCE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Build Indiana	Sewer Maintenance	Bond Reserve	Sewer Construction	Sewer Revenue	Sewer Sinking	Totals
Cash and investments - beginning	\$ 90,053	\$ 32,966	\$ -	\$ -	\$ 2	\$ 114,288	\$ 67,164	\$ 304,473
Receipts:								
Taxes	58,383	-	-	-	-	-	-	58,383
Utility fees	-	-	-	-	-	278,767	-	278,767
Penalties	-	-	-	-	-	1,238	-	1,238
Other receipts	355	55	20,027	30,000	11,053	7,000	133,777	202,267
Total receipts	<u>58,738</u>	<u>55</u>	<u>20,027</u>	<u>30,000</u>	<u>11,053</u>	<u>287,005</u>	<u>133,777</u>	<u>540,655</u>
Disbursements:								
Personal services	3,000	-	-	-	-	-	-	3,000
Supplies	42	-	-	-	-	-	-	42
Other services and charges	19,940	-	-	-	-	-	-	19,940
Debt service - principal and interest	-	-	-	-	-	-	134,010	134,010
Capital outlay	-	-	-	-	5,912	-	-	5,912
Utility operating expenses	-	-	-	-	-	115,171	-	115,171
Other disbursements	7,039	-	-	-	5,143	183,743	7	195,932
Total disbursements	<u>30,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,055</u>	<u>298,914</u>	<u>134,017</u>	<u>474,007</u>
Excess (deficiency) of receipts over disbursements	<u>28,717</u>	<u>55</u>	<u>20,027</u>	<u>30,000</u>	<u>(2)</u>	<u>(11,909)</u>	<u>(240)</u>	<u>66,648</u>
Cash and investments - ending	<u>\$ 118,770</u>	<u>\$ 33,021</u>	<u>\$ 20,027</u>	<u>\$ 30,000</u>	<u>\$ -</u>	<u>\$ 102,379</u>	<u>\$ 66,924</u>	<u>\$ 371,121</u>

LAKE BRUCE CONSERVANCY DISTRICT
SCHEDULE OF RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Sewer	<u>\$ 26,291</u>

LAKE BRUCE CONSERVANCY DISTRICT
SCHEDULE OF DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Sewer:			
Sewage Works Revenue Bonds of 2007 - Series B	Sewer Construction USDA loan	\$ 479,000	\$ 27,550
Sewage Works Revenue Bonds of 2007 - Series A	Sewer Construction USDA loan	<u>1,976,000</u>	<u>105,510</u>
Totals		<u>\$ 2,455,000</u>	<u>\$ 133,060</u>

LAKE BRUCE CONSERVANCY DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2011

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.

	Ending Balance
Sewer:	
Land	34,924
Buildings	522,197
Improvements other than buildings	5,912
Machinery, equipment and vehicles	4,152,966
Total capital assets	\$ 4,715,999

LAKE BRUCE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

Form 323 Simplified Cash Journal
Form 353 Receipt
Form 369 Capital Asset Ledger
Form 350 Register of Investments
Form 353 Check
Form 354 Claim

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping that were cited in the prior report were again present during our period of examination:

Records supporting the billing and collection of wastewater services were not provided for review. The records presented did not provide sufficient detail to examine or establish the accuracy of amounts billed or collected.

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)

LAKE BRUCE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 6, 2012, with Ron Wingerter, President of the Board, and Don Morning, Treasurer. The officials concurred with our findings.