

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

L & M REGIONAL WATER DISTRICT

RANDOLPH COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/16/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Kevin Fisher	01-01-10 to 12-31-12
Treasurer	Mary Hale	01-01-10 to 12-31-12
President of the Board	Nancy Hall	01-01-10 to 12-31-12



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF L & M REGIONAL WATER DISTRICT, RANDOLPH COUNTY, INDIANA

We have examined the accompanying financial statements of L & M Regional Water 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.

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 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

October 10, 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.

L & M REGIONAL WATER 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
General	\$ (4,116)	\$ 227,296	\$ 211,048	\$ 12,132
Water Tower And Plant Maintenance	90,152	19,500	57,016	52,636
Debt Service	17,350	-	-	17,350
Guaranteed Meter Deposit	12,390	2,702	1,735	13,357
Bond And Interest Payable	16,250	-	-	16,250
Totals	<u>\$ 132,026</u>	<u>\$ 249,498</u>	<u>\$ 269,799</u>	<u>\$ 111,725</u>

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

L & M REGIONAL WATER 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	\$ 12,132	\$ 197,634	\$ 189,501	\$ 20,265
Bond and Interest Payable	16,250	16,700	16,250	16,700
Debt Service	17,350	-	-	17,350
Guaranteed Meter Deposit	13,357	2,279	1,943	13,693
Water Tower and Plant Maintenance	<u>52,636</u>	<u>17,875</u>	<u>17,216</u>	<u>53,295</u>
Totals	<u>\$ 111,725</u>	<u>\$ 234,488</u>	<u>\$ 224,910</u>	<u>\$ 121,303</u>

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

L & M REGIONAL WATER 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 may 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.

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 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.

L & M REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Penalties which include fees received for late payments.

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 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.

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.

L & M REGIONAL WATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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 statements. 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 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.

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

	General	Water Tower And Plant Maintenance	Debt Service	Guaranteed Meter Deposit	Bond And Interest Payable	Totals
Cash and investments - beginning	\$ (4,116)	\$ 90,152	\$ 17,350	\$ 12,390	\$ 16,250	\$ 132,026
Receipts:						
Utility fees	162,549	19,500	-	-	-	182,049
Other receipts	64,747	-	-	2,702	-	67,449
Total receipts	227,296	19,500	-	2,702	-	249,498
Disbursements:						
Utility operating expenses	190,935	57,016	-	-	-	247,951
Other disbursements	20,113	-	-	1,735	-	21,848
Total disbursements	211,048	57,016	-	1,735	-	269,799
Excess (deficiency) of receipts over disbursements	16,248	(37,516)	-	967	-	(20,301)
Cash and investments - ending	\$ 12,132	\$ 52,636	\$ 17,350	\$ 13,357	\$ 16,250	\$ 111,725

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

	General	Bond and Interest Payable	Debt Service	Guaranteed Meter Deposit	Water Tower and Plant Maintenance	Totals
Cash and investments - beginning	\$ 12,132	\$ 16,250	\$ 17,350	\$ 13,357	\$ 52,636	\$ 111,725
Receipts:						
Charges for services	87,168	-	-	-	-	87,168
Other receipts	<u>110,466</u>	<u>16,700</u>	<u>-</u>	<u>2,279</u>	<u>17,875</u>	<u>147,320</u>
Total receipts	<u>197,634</u>	<u>16,700</u>	<u>-</u>	<u>2,279</u>	<u>17,875</u>	<u>234,488</u>
Disbursements:						
Personal services	23,752	-	-	-	-	23,752
Supplies	5,503	-	-	-	-	5,503
Other services and charges	25,117	-	-	-	-	25,117
Debt service - principal and interest	16,250	-	-	-	-	16,250
Other disbursements	<u>118,879</u>	<u>16,250</u>	<u>-</u>	<u>1,943</u>	<u>17,216</u>	<u>154,288</u>
Total disbursements	<u>189,501</u>	<u>16,250</u>	<u>-</u>	<u>1,943</u>	<u>17,216</u>	<u>224,910</u>
Excess of receipts over disbursements	<u>8,133</u>	<u>450</u>	<u>-</u>	<u>336</u>	<u>659</u>	<u>9,578</u>
Cash and investments - ending	<u>\$ 20,265</u>	<u>\$ 16,700</u>	<u>\$ 17,350</u>	<u>\$ 13,693</u>	<u>\$ 53,295</u>	<u>\$ 121,303</u>

L & M REGIONAL WATER DISTRICT
SCHEDULE OF RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -
Water	<u>13,907</u>
Totals	<u>\$ 13,907</u>

L & M REGIONAL WATER DISTRICT
 SCHEDULE OF DEBT
 December 31, 2011

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Water:			
Notes and loans payable	Rural Development Originating Loan	\$ 94,000	\$ 16,700
Totals		<u>\$ 94,000</u>	<u>\$ 16,700</u>

L & M REGIONAL WATER 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
Water:	
Land	\$ 15,926
Buildings	599
Improvements other than buildings	661,317
Machinery, equipment and vehicles	41,626
Total Water	719,468
Total capital assets	\$ 719,468

L & M REGIONAL WATER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2012, with Mary Hale, Treasurer, and Nancy Hall, President of the Board. Our examination disclosed no material items that warrant comment at this time.