

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

VAN BIBBER LAKE CONSERVANCY DISTRICT

PUTNAM COUNTY, INDIANA

January 1, 2009 to December 31, 2011



FILED
01/14/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statement of Cash and Investment Balances	6
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	7-8
Notes to Financial Statements	9-11
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Examination Results and Comments:	
Annual Report.....	18
Executive Sessions	18
Fund Sources and Uses	18
Mileage Reimbursement.....	19
Overdrawn Cash Balances.....	19
Penalties, Interest, and Other Charges	19-20
Prescribed Form	20
Travel Policy	20
Exit Conference.....	21

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Financial Secretary	Mary Anderson	01-01-09 to 12-31-12
President of the Board	Jerry Thacker	01-01-09 to 04-21-11
	William Dixon	04-22-11 to 07-13-12
	Timothy Vandagriff	07-14-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF VAN BIBBER LAKE CONSERVANCY DISTRICT, PUTNAM COUNTY, INDIANA

We have examined the accompanying financial statements of Van Bibber Lake Conservancy District (District), for the years ended December 31, 2009, 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 period.

The financial statement presented by the District for the year ended December 31, 2009, was not prepared in accordance with reporting requirements established by the State Board of Accounts. Presentation of such a statement summarizing the District's financial position and the results of its operations is required by state statute (IC 5-11-1-6).

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2009, on the basis of accounting described in Note 1.

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 Leases and 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

November 14, 2012

(This page intentionally left blank.)

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.

VAN BIBBER LAKE CONSERVANCY DISTRICT
STATEMENT OF CASH AND INVESTMENT BALANCES
For The Year Ended December 31, 2009

Fund	Cash and Investments 12-31-09
Wastewater Operating	\$ 25,824
Wastewater Bond & Interest	35,327
Wastewater Debt Service Reserve	69,186
Water Operating	3,955
Water Bond & Interest	12,174
Water Improvement	3,970
Water Debt Service Reserve	<u>3,042</u>
 Total	 <u><u>\$ 153,478</u></u>

VAN BIBBER LAKE 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
Wastewater Operating	\$ 25,824	\$ 288,524	\$ 284,908	\$ 29,440
Wastewater Bond & Interest	35,327	93,439	86,196	42,570
Wastewater Debt Service Reserve	69,186	34,638	-	103,824
Water Operating	3,955	225,126	229,858	(777)
Water Bond & Interest	12,174	-	12,174	-
Water Improvement	3,970	-	3,970	-
Water Debt Service Reserve	<u>3,042</u>	<u>-</u>	<u>-</u>	<u>3,042</u>
Totals	<u>\$ 153,478</u>	<u>\$ 641,727</u>	<u>\$ 617,106</u>	<u>\$ 178,099</u>

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

VAN BIBBER LAKE 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
Wastewater Operating	\$ 29,440	\$ 286,320	\$ 263,252	\$ 52,508
Wastewater Bond & Interest	42,570	85,094	98,129	29,535
Wastewater Debt Service Reserve	103,824	88	-	103,912
Water Operating	(777)	244,127	246,771	(3,421)
Water Debt Service Reserve	<u>3,042</u>	<u>-</u>	<u>-</u>	<u>3,042</u>
Totals	<u>\$ 178,099</u>	<u>\$ 615,629</u>	<u>\$ 608,152</u>	<u>\$ 185,576</u>

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

VAN BIBBER LAKE 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 and provides some or all of the following services: water and wastewater.

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.

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 include the following uses:

VAN BIBBER LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

VAN BIBBER LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

(This page intentionally left blank.)

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 prepared and/or approved by management of the District. It is presented as intended by the District.

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

	Wastewater Operating	Wastewater Bond & Interest	Wastewater Debt Service Reserve	Water Operating	Water Bond & Interest	Water Improvement	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 25,824	\$ 35,327	\$ 69,186	\$ 3,955	\$ 12,174	\$ 3,970	\$ 3,042	\$ 153,478
Receipts:								
Taxes	-	-	-	68,769	-	-	-	68,769
Utility fees	254,831	-	-	130,678	-	-	-	385,509
Other receipts	33,693	93,439	34,638	25,679	-	-	-	187,449
Total receipts	288,524	93,439	34,638	225,126	-	-	-	641,727
Disbursements:								
Debt service - principal and interest	19,788	86,196	-	83,985	-	-	-	189,969
Capital outlay	-	-	-	5,132	-	-	-	5,132
Utility operating expenses	137,213	-	-	140,741	-	-	-	277,954
Other disbursements	127,907	-	-	-	12,174	3,970	-	144,051
Total disbursements	284,908	86,196	-	229,858	12,174	3,970	-	617,106
Excess (deficiency) of receipts over disbursements	3,616	7,243	34,638	(4,732)	(12,174)	(3,970)	-	24,621
Cash and investments - ending	\$ 29,440	\$ 42,570	\$ 103,824	\$ (777)	\$ -	\$ -	\$ 3,042	\$ 178,099

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

	Wastewater Operating	Wastewater Bond & Interest	Wastewater Debt Service Reserve	Water Operating	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 29,440	\$ 42,570	\$ 103,824	\$ (777)	\$ 3,042	\$ 178,099
Receipts:						
Taxes	-	-	-	129,753	-	129,753
Utility fees	260,492	-	-	106,377	-	366,869
Penalties	4,900	-	-	1,081	-	5,981
Other receipts	20,928	85,094	88	6,916	-	113,026
Total receipts	<u>286,320</u>	<u>85,094</u>	<u>88</u>	<u>244,127</u>	<u>-</u>	<u>615,629</u>
Disbursements:						
Debt service - principal and interest	20,090	98,129	-	67,931	-	186,150
Capital outlay	7,000	-	-	7,000	-	14,000
Utility operating expenses	142,185	-	-	146,610	-	288,795
Other disbursements	93,977	-	-	25,230	-	119,207
Total disbursements	<u>263,252</u>	<u>98,129</u>	<u>-</u>	<u>246,771</u>	<u>-</u>	<u>608,152</u>
Excess (deficiency) of receipts over disbursements	<u>23,068</u>	<u>(13,035)</u>	<u>88</u>	<u>(2,644)</u>	<u>-</u>	<u>7,477</u>
Cash and investments - ending	<u>\$ 52,508</u>	<u>\$ 29,535</u>	<u>\$ 103,912</u>	<u>\$ (3,421)</u>	<u>\$ 3,042</u>	<u>\$ 185,576</u>

VAN BIBBER LAKE CONSERVANCY DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2000	\$ 485,000	\$ 49,488
Revenue bonds	Sewage Works Revenue Bonds of 2002 - Series A	238,484	22,531
Revenue bonds	Sewage Works Revenue Bonds of 2002 - Series B	<u>87,000</u>	<u>20,341</u>
	Total Wastewater	<u>810,484</u>	<u>92,360</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds Series 1992	153,318	13,974
Revenue bonds	IDNR Flood Control Loan of 1999	60,000	10,500
Notes and loans payable	PNC Bank Promissory Note	<u>131,100</u>	<u>39,891</u>
	Total Water	<u>344,418</u>	<u>64,365</u>
	Totals	<u>\$ 1,154,902</u>	<u>\$ 156,725</u>

VAN BIBBER LAKE 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.

	<u>Ending Balance</u>
Governmental activities:	
Total governmental activities	\$ <u> -</u>
Wastewater:	
Improvements other than buildings	1,395,459
Machinery, equipment and vehicles	<u> 7,000</u>
Total Wastewater	<u> 1,402,459</u>
Water:	
Improvements other than buildings	915,116
Machinery, equipment and vehicles	<u> 7,000</u>
Total Water	<u> 922,116</u>
Total capital assets	<u>\$ <u> 2,324,575</u></u>

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report for 2009 was not presented for examination, resulting in the issuance of an adverse opinion.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

EXECUTIVE SESSIONS

As noted in prior Report B36995, the Conservancy District Board held executive sessions immediately preceding regularly scheduled monthly meetings. These executive sessions were not advertised. Minutes of the executive sessions did not reveal appropriate statutory purposes for private meetings of the Board.

Indiana Code 5-14-1.5-6.1(b) lists the circumstances under which an executive session may be held, including the following:

1. Where authorized by federal or state statute.
2. For discussion of strategy for: collective bargaining; initiation of litigation or litigation which is either pending or has been threatened specifically in writing; implementation of security systems; or purchase or lease of real property up to the time a contract or option to purchase or lease is executed by the parties.
3. To receive information about, and interview, prospective employees.
4. With respect to any employee's status or alleged misconduct.
5. For discussion of confidential records.
6. To discuss job performance evaluations of individual employees.

Final action on matters discussed in executive session must be taken at a meeting open to the public. Minutes of executive sessions must identify the subject matter considered by specific reference to the enumerated instance or instances for which public notice was given. The board must certify by a statement in its memoranda and minutes that it discussed no subject matter in the executive session other than the subject matter specified in the public notice. [IC 5-14-1.5-6.1]

FUND SOURCES AND USES

Funds were disbursed from the Wastewater Utility's Operating Fund for the payment of two month's sales tax collected by the Water Utility and the payment of interest on the Water Utility's 1992 Revenue Bonds.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

MILEAGE REIMBURSEMENT

Officials were reimbursed for mileage without filing Mileage Claim, General Form 101.

Officials were often compensated \$50 per month to conduct such business as banking, picking up supplies, attendance at State meetings and Small Claims Court for the District.

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)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

The directors shall be reimbursed for actual expenses, including travel expenses at a rate equal to the rate paid to state officers and employees. [IC 14-33-5-16]

The current mileage rate allowed to state officers and employees is forty-four cents (44¢) per mile.

OVERDRAWN CASH BALANCES

The cash balance of the Water Operating Fund was overdrawn in 2010 and 2011.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest of \$53 and \$9 were paid to the Indiana Department of Revenue in July 2010 and October 2010 for the periods February 2010 and July 2010, respectively.

In January 2009, \$60 total was charged by National City Bank for twice overdrawing the Water Utility Operating Account. National City Bank also charged the Water Utility a total of \$125 and the Wastewater Utility a total of \$75 in low balance fees in 2009.

In January 2009, the Conservancy District paid a late charge of \$166 to National City Bank on the Water Utility's commercial loan.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXAMINATION RESULTS AND COMMENTS
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

PRESCRIBED FORM

The following prescribed or approved form was not always in use: Ledger of Appropriations, Encumbrances, Disbursements, and Balances (General Form 359)

The Ledger was not presented for examination for 2009, 2010, and 2011. Without the Ledger, it could not easily be determined if disbursements exceeded approved appropriations during the examination period.

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)

TRAVEL POLICY

A travel policy was not presented for examination.

On October 30, 2009, an advance of \$500 was made to Mary Anderson, Financial Secretary, for hotel/motel room costs, meals, and seminar fees to attend a Keystone Consulting, Inc., seminar, as authorized by the District Board. Receipts were subsequently presented for reimbursement totaling \$83; \$417 of the unused advance was returned to the District.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

VAN BIBBER LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on November 14, 2012, with Mary Anderson, Financial Secretary; Timothy Vandagriff, President of the Board; and Janet Huffman, Board Secretary. The officials concurred with our findings.