

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

BLUE LAKE CONSERVANCY DISTRICT

WHITLEY COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
05/07/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Edward L. James Tom Winebrenner	01-01-10 to 07-12-10 07-13-10 to 12-31-13
Financial Clerk	Linda Kiester	01-01-10 to 12-31-13
President of the Conservancy District Board	Ronald N. Rennaker	01-01-10 to 12-31-13



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE BLUE LAKE CONSERVANCY DISTRICT, WHITLEY COUNTY, INDIANA

We have examined the accompanying financial statement of the Blue Lake Conservancy District (District), for the period of January 1, 2010 to December 31, 2012. The financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement 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 effects on the financial statement of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. The basis noted above is a different basis than that used in the prior period.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the period of January 1, 2010 to December 31, 2012.

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 period of January 1, 2010 to December 31, 2012, 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 statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 25, 2013

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FINANCIAL STATEMENT

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

BLUE LAKE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
REGULATORY BASIS
For The Years Ended December 31, 2010, 2011 And 2012

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
Bond and Interest	\$ 48,275	\$ 85,098	\$ 92,223	\$ 41,150
Operating	3,026	209,961	205,791	7,196
Debt Service Reserve	<u>93,423</u>	<u>-</u>	<u>-</u>	<u>93,423</u>
Totals	<u>\$ 144,724</u>	<u>\$ 295,059</u>	<u>\$ 298,014</u>	<u>\$ 141,769</u>

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
Bond and Interest	\$ 41,150	\$ 77,744	\$ 92,439	\$ 26,455
Operating	7,196	245,693	221,425	31,464
Debt Service Reserve	<u>93,423</u>	<u>-</u>	<u>40,000</u>	<u>53,423</u>
Totals	<u>\$ 141,769</u>	<u>\$ 323,437</u>	<u>\$ 353,864</u>	<u>\$ 111,342</u>

Fund	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-12
Bond and Interest	\$ 26,455	\$ 115,638	\$ 91,601	\$ 50,492
Operating	31,464	261,523	247,665	45,322
Debt Service Reserve	<u>53,423</u>	<u>-</u>	<u>-</u>	<u>53,423</u>
Totals	<u>\$ 111,342</u>	<u>\$ 377,161</u>	<u>\$ 339,266</u>	<u>\$ 149,237</u>

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

BLUE LAKE CONSERVANCY 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.

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 statement. The aggregate receipts include 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 statement. 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 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.

BLUE LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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. 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.

BLUE LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. 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 Annual Reports for years prior to 2011 can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

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

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

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

	<u>Bond and Interest</u>	<u>Operating</u>	<u>Debt Service Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 48,275	\$ 3,026	\$ 93,423	\$ 144,724
Receipts:				
Utility fees	-	209,961	-	209,961
Other receipts	<u>85,098</u>	<u>-</u>	<u>-</u>	<u>85,098</u>
Total receipts	<u>85,098</u>	<u>209,961</u>	<u>-</u>	<u>295,059</u>
Disbursements:				
Debt service - principal and interest	92,223	-	-	92,223
Utility operating expenses	-	120,693	-	120,693
Other disbursements	<u>-</u>	<u>85,098</u>	<u>-</u>	<u>85,098</u>
Total disbursements	<u>92,223</u>	<u>205,791</u>	<u>-</u>	<u>298,014</u>
Excess (deficiency) of receipts over disbursements	<u>(7,125)</u>	<u>4,170</u>	<u>-</u>	<u>(2,955)</u>
Cash and investments - ending	<u>\$ 41,150</u>	<u>\$ 7,196</u>	<u>\$ 93,423</u>	<u>\$ 141,769</u>

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

	<u>Bond and Interest</u>	<u>Operating</u>	<u>Debt Service Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 41,150	\$ 7,196	\$ 93,423	\$ 141,769
Receipts:				
Utility fees	-	201,367	-	201,367
Other receipts	<u>77,744</u>	<u>44,326</u>	<u>-</u>	<u>122,070</u>
Total receipts	<u>77,744</u>	<u>245,693</u>	<u>-</u>	<u>323,437</u>
Disbursements:				
Personal services	-	54,987	-	54,987
Supplies	-	20,919	-	20,919
Other services and charges	-	67,775	-	67,775
Debt service - principal and interest	92,439	-	-	92,439
Other disbursements	<u>-</u>	<u>77,744</u>	<u>40,000</u>	<u>117,744</u>
Total disbursements	<u>92,439</u>	<u>221,425</u>	<u>40,000</u>	<u>353,864</u>
Excess (deficiency) of receipts over disbursements	<u>(14,695)</u>	<u>24,268</u>	<u>(40,000)</u>	<u>(30,427)</u>
Cash and investments - ending	<u>\$ 26,455</u>	<u>\$ 31,464</u>	<u>\$ 53,423</u>	<u>\$ 111,342</u>

BLUE LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	<u>Bond and Interest</u>	<u>Operating</u>	<u>Debt Service Reserve</u>	<u>Totals</u>
Cash and investments - beginning	\$ 26,455	\$ 31,464	\$ 53,423	\$ 111,342
Receipts:				
Utility fees	-	257,545	-	257,545
Other receipts	<u>115,638</u>	<u>3,978</u>	<u>-</u>	<u>119,616</u>
Total receipts	<u>115,638</u>	<u>261,523</u>	<u>-</u>	<u>377,161</u>
Disbursements:				
Personal services	-	54,232	-	54,232
Supplies	-	23,953	-	23,953
Other services and charges	-	53,842	-	53,842
Debt service - principal and interest	91,601	-	-	91,601
Other disbursements	<u>-</u>	<u>115,638</u>	<u>-</u>	<u>115,638</u>
Total disbursements	<u>91,601</u>	<u>247,665</u>	<u>-</u>	<u>339,266</u>
Excess (deficiency) of receipts over disbursements	<u>24,037</u>	<u>13,858</u>	<u>-</u>	<u>37,895</u>
Cash and investments - ending	<u>\$ 50,492</u>	<u>\$ 45,322</u>	<u>\$ 53,423</u>	<u>\$ 149,237</u>

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Blue Lake Conservancy District	<u>\$ -</u>	<u>\$ 5,905</u>

BLUE LAKE CONSERVANCY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Blue Lake Conservancy District: Notes and loans payable	1999 Sewer Line Construction Revenue Bonds	<u>\$ 1,076,382</u>	<u>\$ 91,711</u>

BLUE LAKE CONSERVANCY DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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>
Business-type activities:	
Improvements other than buildings	\$ 2,211,140
Machinery, equipment and vehicles	<u>5,645</u>
Total capital assets	<u>\$ 2,216,785</u>

BLUE LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on March 25, 2013, with Linda Kiester, Financial Clerk. Our examination disclosed no material items that warrant comment at this time.