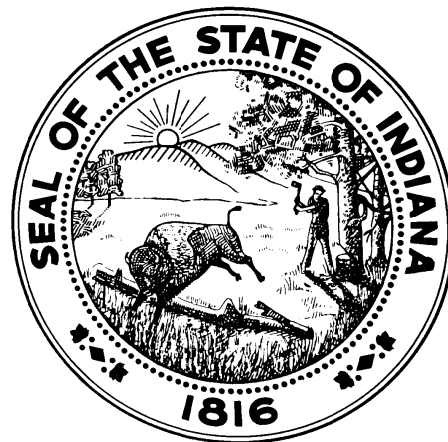


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

EXAMINATION REPORT  
OF  
L & M REGIONAL WATER DISTRICT  
RANDOLPH COUNTY, INDIANA  
January 1, 2006 to December 31, 2007



**FILED**  
12/30/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Kevin Fisher	01-01-06 to 12-31-08
Treasurer	Mary Hale	01-01-06 to 12-31-08
President of the Board	Nancy Hall	01-01-06 to 12-31-08



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the L & M Regional Water District (District), for the period of January 1, 2006 to December 31, 2007. The District's management is responsible for the financial information presented herein. 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 information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the District for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The 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 basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

November 18, 2008

L & M REGIONAL WATER DISTRICT  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Operating	\$ 4,154	\$ 113,891	\$ 115,765	\$ 2,280
Improvement	20,015	19,500	5,415	34,100
Debt Service Reserve	17,000	350	-	17,350
Bond and Interest	17,300	16,800	17,300	16,800
Customer Deposits	8,800	3,975	2,125	10,650
	<u>67,269</u>	<u>154,516</u>	<u>140,605</u>	<u>81,180</u>
Totals	<u>\$ 67,269</u>	<u>\$ 154,516</u>	<u>\$ 140,605</u>	<u>\$ 81,180</u>
	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
Operating	\$ 2,280	\$ 104,754	\$ 106,104	\$ 930
Improvement	34,100	19,500	-	53,600
Debt Service Reserve	17,350	-	-	17,350
Bond and Interest	16,800	16,300	16,800	16,300
Customer Deposits	10,650	2,864	1,894	11,620
Wastewater Payments	-	25,460	21,808	3,652
	<u>81,180</u>	<u>168,878</u>	<u>146,606</u>	<u>103,452</u>
Totals	<u>\$ 81,180</u>	<u>\$ 168,878</u>	<u>\$ 146,606</u>	<u>\$ 103,452</u>

The accompanying notes are an integral part of the financial information.

L & M REGIONAL WATER DISTRICT  
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established by Randolph County under the laws of the State of Indiana. The District provides water services to its customers. The District's revenues are primarily from customer billings, and it does not levy taxes.

Note 2. Fund Accounting

The District uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were 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 statute (IC 5-13-9) authorizes 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.

L & M REGIONAL WATER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,926
Buildings	599
Improvements other than buildings	598,367
Machinery and equipment	<u>32,826</u>
 Total Water Utility capital assets	 \$ <u>647,718</u>

L & M REGIONAL WATER DISTRICT  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The District has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Plant	\$ 116,000	\$ -

L & M REGIONAL WATER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

No official bond was recorded in the Office of the County Recorder for Mary Hale, Treasurer.

Indiana Code 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision who is required . . . shall file the bond in the office of the county recorder. . . ."

CONFLICT OF INTEREST

Kevin Fisher, Water Plant Superintendent, is the owner of a company that provided contractual services to the District. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

Indiana Code 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

L & M REGIONAL WATER DISTRICT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

The balance retained in the operating fund at December 31, 2007, was insufficient by an amount of \$11,103 to be in accordance with Revenue Bond Ordinance 1979-2.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

OVERPAYMENT OF BOARD MEMBERS

Board members received \$60 per board meeting resulting in an overpayment to Amber Hall (\$120), Nancy Hall (\$110), Sharon Jessee (\$80), and Janice Metsker (\$100).

Indiana Code 13-26-4-7(a) states:

"The board of a district may provide for the payment of not more than fifty dollars (\$50) per day to the members of the board for each day or major part of a day devoted to the work of the district."

Further, Indiana Code 13-26-4-7(b) states:

"Members of the board are entitled to receive an amount for travel expenses equal to the amount paid to state employees for expenses incurred in the performance of their duties."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part:

"on or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

PENALTIES

In May of 2007, L & M Water District began billing for the Modoc Wastewater Utility. Penalties for bills for Modoc Wastewater Utility were computed using 10% of the unpaid balance at the due date instead of the previous months delinquencies. This resulted in customers being overcharged \$1,439 in 2007.

According to the Cities and Towns Bulletin from March of 1999, Page 10, it is our audit position that the 10% penalty specified in Indiana Code 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for water, gas, and electric utilities organized under Indiana Code 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees.

L & M REGIONAL WATER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2008, with Mary Hale, Treasurer; and Nancy Hall, President of the Board.