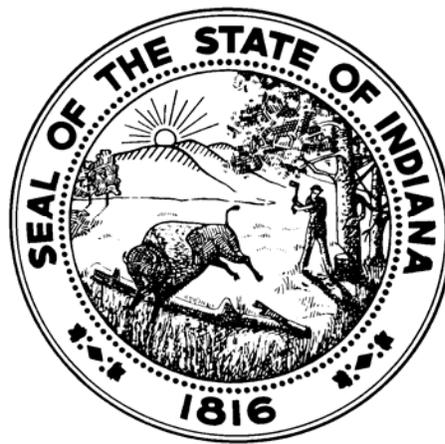


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TRI-LAKES REGIONAL SEWER DISTRICT
WHITLEY COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
06/07/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Linda Agner Nel Mann	01-01-05 to 05-31-06 06-01-06 to 12-31-07
Treasurer	Janet Moss	01-01-05 to 12-31-07
President of the Board	Mike Martin	01-01-05 to 12-31-07



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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TRI-LAKES REGIONAL SEWER DISTRICT, WHITLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Tri-Lakes Regional Sewer District (District), for the period of January 1, 2005 to December 31, 2006. 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, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

May 23, 2007

TRI-LAKES REGIONAL SEWER DISTRICT
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Proprietary Funds:				
Operating	\$ 88,448	\$ 758,723	\$ 762,057	\$ 85,114
Bond and Interest	988,777	401,096	367,726	1,022,147
Depreciation	355,602	-	-	355,602
Construction	61,143	88,877	53,286	96,734
Fiduciary Fund:				
Payroll	1,014	22,611	22,960	665
Totals	<u>\$ 1,494,984</u>	<u>\$ 1,271,307</u>	<u>\$ 1,206,029</u>	<u>\$ 1,560,262</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Proprietary Funds:				
Operating	\$ 85,114	\$ 790,473	\$ 823,602	\$ 51,985
Bond and Interest	1,022,147	452,012	370,033	1,104,126
Depreciation	355,602	-	-	355,602
Construction	96,734	-	-	96,734
Fiduciary Fund:				
Payroll	665	11,603	11,620	648
Totals	<u>\$ 1,560,262</u>	<u>\$ 1,254,088</u>	<u>\$ 1,205,255</u>	<u>\$ 1,609,095</u>

The accompanying notes are an integral part of the schedules.

TRI-LAKES REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The District was established under the laws of the State of Indiana. The District operates under a Board of Trustees and provides wastewater treatment services.

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.

Note 4. Subsequent Events

The District redeemed the outstanding 1994 Revenue Bond Issue in the amount of \$580,000 on March 22, 2007. On May 14, 2007, the District approved issuing \$4,675,000 Sewage Works Refunding Revenue Bonds of 2007, the proceeds to be used to refund the \$4,502,000 outstanding 2000 Revenue Bond Issue.

TRI-LAKES REGIONAL SEWER DISTRICT
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Regional Sewer District		
Revenue bonds:		
1994 Phase I Sewer Line Construction	\$ 580,000	\$ -
2000 Phase II Sewer Line Construction	<u>4,558,000</u>	<u>56,000</u>
Total Regional Sewer District Long-Term Debt	<u>\$ 5,138,000</u>	<u>\$ 56,000</u>

TRI-LAKES REGIONAL SEWER DISTRICT
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Tri-Lakes Regional Sewer District has not updated their capital asset records since December 31, 2004.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken at least every two years for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

CONDITION OF RECORDS

The following deficiencies were noted on the Fund Report during the audit period:

- (1) The balances of all funds, except payroll withholdings, at December 31, 2005, could not be accurately calculated when using the year to date revenue and expense totals.
- (2) A transfer between bank accounts was included in operating fund receipts during 2005.
- (3) Total disbursements for the year ended December 31, 2006, did not agree with the Budget Trial Balance History Report (detail) for the same time period.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

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)

TRI-LAKES REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on May 23, 2007, with Nel Mann, District Manager. The official concurred with our findings.