

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LEO-CEDARVILLE REGIONAL SEWER DISTRICT

ALLEN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
10/12/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Shuler	01-01-10 to 12-31-12
Financial Clerk	Laura Dever	01-01-10 to 12-31-12
President of the Board	David Jones	01-01-10 to 12-31-12
Operations Manager	Basil Wisler	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LEO-CEDARVILLE REGIONAL
SEWER DISTRICT, ALLEN COUNTY, INDIANA

We have examined the accompanying financial statements of the Leo-Cedarville Regional Sewer District (District), for the years ended December 31, 2010 and 2011. These 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 year.

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 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

September 4, 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.

LEO-CEDARVILLE REGIONAL SEWER 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
Cash Operating	\$ 47,358	\$ 1,135,001	\$ 1,046,102	\$ 136,257
Bond and Interest	662,103	881,081	1,169,950	373,234
Debt Reserve	60,000	-	60,000	-
Capital Improvement	<u>1,270,757</u>	<u>34,950</u>	<u>-</u>	<u>1,305,707</u>
Totals	<u>\$ 2,040,218</u>	<u>\$ 2,051,032</u>	<u>\$ 2,276,052</u>	<u>\$ 1,815,198</u>

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

LEO-CEDARVILLE REGIONAL SEWER 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
Cash Operating	\$ 136,257	\$ 665,608	\$ 621,892	\$ 179,973
Bond & Interest	373,234	837,387	1,210,621	-
Capital Improvement	1,305,707	524,000	-	1,829,707
Self Insurance-State Unemployment	-	21,013	-	21,013
Totals	<u>\$ 1,815,198</u>	<u>\$ 2,048,008</u>	<u>\$ 1,832,513</u>	<u>\$ 2,030,693</u>

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

LEO-CEDARVILLE REGIONAL SEWER 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:

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: building and planning permits, demolition permits, and electrical permits.

Charges for services which can include, but are not limited to the following: copies of public records and copy machine charges. Utility fees which are comprised mostly of charges for current services. Penalties which include fees received for late payments.

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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. These risks may also be mitigated by the District by recording as a disbursement any replacement items purchased.

Note 4. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the District authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Cash Operating	Bond and Interest	Debt Reserve	Capital Improvement	Totals
Cash and investments - beginning	\$ 47,358	\$ 662,103	\$ 60,000	\$ 1,270,757	\$ 2,040,218
Receipts:					
Licenses and permits	-	28,500	-	-	28,500
Charges for services	-	751,612	-	-	751,612
Other receipts	1,135,001	100,969	-	34,950	1,270,920
Total receipts	1,135,001	881,081	-	34,950	2,051,032
Disbursements:					
Personal services	23,245	-	-	-	23,245
Supplies	17,056	-	-	-	17,056
Other services and charges	245,410	-	-	-	245,410
Capital outlay	166,257	-	-	-	166,257
Other disbursements	594,134	1,169,950	60,000	-	1,824,084
Total disbursements	1,046,102	1,169,950	60,000	-	2,276,052
Excess (deficiency) of receipts over disbursements	88,899	(288,869)	(60,000)	34,950	(225,020)
Cash and investments - ending	\$ 136,257	\$ 373,234	\$ -	\$ 1,305,707	\$ 1,815,198

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Cash Operating	Bond and Interest	Capital Improvement	Self Insurance-State Unemployment	Totals
Cash and investments - beginning	\$ 136,257	\$ 373,234	\$ 1,305,707	\$ -	\$ 1,815,198
Receipts:					
Licenses and permits	-	24,000	-	-	24,000
Charges for services	-	793,752	-	-	793,752
Other receipts	665,608	19,635	524,000	21,013	1,230,256
Total receipts	665,608	837,387	524,000	21,013	2,048,008
Disbursements:					
Personal services	132,660	-	-	-	132,660
Supplies	21,075	-	-	-	21,075
Other services and charges	389,688	-	-	-	389,688
Capital outlay	78,427	-	-	-	78,427
Other disbursements	42	1,210,621	-	-	1,210,663
Total disbursements	621,892	1,210,621	-	-	1,832,513
Excess (deficiency) of receipts over disbursements	43,716	(373,234)	524,000	21,013	215,495
Cash and investments - ending	\$ 179,973	\$ -	\$ 1,829,707	\$ 21,013	\$ 2,030,693

LEO-CEDARVILLE REGIONAL SEWER 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
Governmental activities:	
Land	\$ 98,892
Infrastructure	6,028,582
Buildings	41,088
Improvements other than buildings	3,600
Machinery, equipment and vehicles	463,146
Construction in progress	6,600
Total governmental activities	6,641,908
Total capital assets	\$ 6,641,908

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on September 4, 2012, with Amy Shuler, Treasurer, and Laura Dever, Financial Clerk. Our examination disclosed no material items that warrant comment at this time.