

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TRI-LAKES REGIONAL SEWER DISTRICT

WHITLEY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
11/21/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Manager	Arnella L. Mann	01-01-10 to 12-31-12
Treasurer	Janet L. Moss	01-01-10 to 12-31-12
President of the Board	Renee M. Erickson Dan R. Stauffer	01-01-10 to 12-31-10 01-01-11 to 12-31-12



STATE OF INDIANA
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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 accompanying financial statements of the Tri-Lakes Regional Sewer District (District), for the years ended December 31, 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 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, 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 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

October 25, 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.

TRI-LAKES 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
Wastewater Operating	\$ 175,854	\$ 800,561	\$ 855,907	\$ 120,508
Wastewater Bond and Interest	337,974	387,991	362,177	363,788
Wastewater Improvement	500,000	-	100,000	400,000
Wastewater Federal Withholding	345	5,738	5,224	859
Wastewater State Withholding	446	6,238	6,024	660
Wastewater Social Security and Medicare	602	9,700	9,116	1,186
Wastewater County Withholding	84	1,574	1,492	166
Totals	<u>\$ 1,015,305</u>	<u>\$ 1,211,802</u>	<u>\$ 1,339,940</u>	<u>\$ 887,167</u>

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

TRI-LAKES 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
Wastewater Operating	\$ 120,508	\$ 834,698	\$ 781,932	\$ 173,274
Wastewater Bond and Interest	363,788	369,522	359,133	374,177
Wastewater Improvement	400,000	8,088	-	408,088
Wastewater Federal Withholding	859	8,030	8,244	645
Wastewater State Withholding	660	5,352	5,536	476
Wastewater Social Security and Medicare	1,186	5,345	6,017	514
Wastewater County Withholding	166	1,200	1,271	95
Totals	<u>\$ 887,167</u>	<u>\$ 1,232,235</u>	<u>\$ 1,162,133</u>	<u>\$ 957,269</u>

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

TRI-LAKES 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 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 statements. The aggregate disbursements include the following uses:

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.

TRI-LAKES REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

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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.

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

	Wastewater Operating	Wastewater Bond and Interest	Wastewater Improvement	Wastewater Federal Withholding	Wastewater State Withholding	Wastewater Social Security and Medicare	Wastewater County Withholding	Totals
Cash and investments - beginning	\$ 175,854	\$ 337,974	\$ 500,000	\$ 345	\$ 446	\$ 602	\$ 84	\$ 1,015,305
Receipts:								
Utility fees	685,709	-	-	-	-	-	-	685,709
Other receipts	114,852	387,991	-	5,738	6,238	9,700	1,574	526,093
Total receipts	800,561	387,991	-	5,738	6,238	9,700	1,574	1,211,802
Disbursements:								
Debt service - principal and interest	-	362,177	-	-	-	-	-	362,177
Capital outlay	54,614	-	-	-	-	-	-	54,614
Utility operating expenses	413,713	-	-	-	-	-	-	413,713
Other disbursements	387,580	-	100,000	5,224	6,024	9,116	1,492	509,436
Total disbursements	855,907	362,177	100,000	5,224	6,024	9,116	1,492	1,339,940
Excess (deficiency) of receipts over disbursements	(55,346)	25,814	(100,000)	514	214	584	82	(128,138)
Cash and investments - ending	\$ 120,508	\$ 363,788	\$ 400,000	\$ 859	\$ 660	\$ 1,186	\$ 166	\$ 887,167

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

	Wastewater Operating	Wastewater Bond and Interest	Wastewater Improvement	Wastewater Federal Withholding	Wastewater State Withholding	Wastewater Social Security and Medicare	Wastewater County Withholding	Totals
Cash and investments - beginning	\$ 120,508	\$ 363,788	\$ 400,000	\$ 859	\$ 660	\$ 1,186	\$ 166	\$ 887,167
Receipts:								
Utility fees	810,878	-	-	-	-	-	-	810,878
Other receipts	23,820	369,522	8,088	8,030	5,352	5,345	1,200	421,357
Total receipts	834,698	369,522	8,088	8,030	5,352	5,345	1,200	1,232,235
Disbursements:								
Debt service - principal and interest	-	359,133	-	-	-	-	-	359,133
Capital outlay	15,757	-	-	-	-	-	-	15,757
Utility operating expenses	396,975	-	-	-	-	-	-	396,975
Other disbursements	369,200	-	-	8,244	5,536	6,017	1,271	390,268
Total disbursements	781,932	359,133	-	8,244	5,536	6,017	1,271	1,162,133
Excess (deficiency) of receipts over disbursements	52,766	10,389	8,088	(214)	(184)	(672)	(71)	70,102
Cash and investments - ending	\$ 173,274	\$ 374,177	\$ 408,088	\$ 645	\$ 476	\$ 514	\$ 95	\$ 957,269

TRI-LAKES REGIONAL SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	<u>\$ 1,529</u>	<u>\$ 62,758</u>

TRI-LAKES REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Sewer System	<u>\$ 3,800,000</u>	<u>\$ 181,510</u>

TRI-LAKES 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
Wastewater:	
Land	\$ 284,726
Buildings	134,515
Improvements other than buildings	13,568,267
Machinery, equipment and vehicles	105,953
 Total capital assets	 \$ 14,093,461

TRI-LAKES REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 25, 2012, with Dan R. Stauffer, President of the Board, and Arnella L. Mann, District Manager. Our examination disclosed no material items that warrant comment at this time.