

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

FINANCIAL STATEMENTS EXAMINATION REPORT  
OF  
LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
MARSHALL COUNTY, INDIANA  
January 1, 2011 to December 31, 2012



**FILED**  
05/22/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jonathan G. Oswald	01-01-11 to 12-31-13
President of the Board	William Reed Kevin Hines	01-01-11 to 12-31-11 01-01-12 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE OF THE WOODS REGIONAL  
SEWER DISTRICT, MARSHALL COUNTY, INDIANA

We have examined the accompanying financial statements of the Lake of the Woods Regional Sewer District (District), for the period of January 1, 2011 to December 31, 2012. 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 effects on the financial statements 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.

In our opinion, because of the matter discussed in the preceding paragraph, the financial statements referred to above do 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, 2011 to December 31, 2012.

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 period of January 1, 2011 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 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.

Bruce Hartman  
State Examiner

March 20, 2013

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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.

LAKE OF THE WOODS 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
Bond and Interest	\$ 326,000	\$ -	\$ -	\$ 326,000
Operating	<u>349,066</u>	<u>301,885</u>	<u>305,271</u>	<u>345,680</u>
Totals	<u>\$ 675,066</u>	<u>\$ 301,885</u>	<u>\$ 305,271</u>	<u>\$ 671,680</u>

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

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
 REGULATORY BASIS  
 For The Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
Bond and Interest	\$ 326,000	\$ -	\$ -	\$ 326,000
Operating	<u>345,680</u>	<u>304,855</u>	<u>291,000</u>	<u>359,535</u>
Totals	<u>\$ 671,680</u>	<u>\$ 304,855</u>	<u>\$ 291,000</u>	<u>\$ 685,535</u>

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

LAKE OF THE WOODS 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, but are not limited to, 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, but are not limited to, 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.

LAKE OF THE WOODS 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. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. 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.

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. 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.

**Note 5. Restatements**

For the year ended December 31, 2011, certain changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the District. The following schedule presents a summary of restated beginning balances.

Fund	Balance as of December 31, 2010	Prior Period Adjustment	Balance as of January 1, 2011
Operating	\$ 328,065	\$ 21,001	\$ 349,066
Bond and Interest	-	326,000	326,000

## 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/](http://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 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.

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

	Bond and Interest	Operating	Totals
Cash and investments - beginning	\$ 326,000	\$ 349,066	\$ 675,066
Receipts:			
Utility fees	-	285,418	285,418
Other receipts	-	16,467	16,467
Total receipts	-	301,885	301,885
Disbursements:			
Debt service - principal and interest	-	189,186	189,186
Capital outlay	-	1,256	1,256
Utility operating expenses	-	114,767	114,767
Other disbursements	-	62	62
Total disbursements	-	305,271	305,271
Deficiency of receipts over disbursements	-	(3,386)	(3,386)
Cash and investments - ending	\$ 326,000	\$ 345,680	\$ 671,680

LAKE OF THE WOODS REGIONAL SEWER 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>Totals</u>
Cash and investments - beginning	\$ 326,000	\$ 345,680	\$ 671,680
Receipts:			
Utility fees	-	286,658	286,658
Other receipts	-	18,197	18,197
Total receipts	-	304,855	304,855
Disbursements:			
Capital outlay	-	16,419	16,419
Utility operating expenses	-	89,596	89,596
Other disbursements	-	184,985	184,985
Total disbursements	-	291,000	291,000
Excess of receipts over disbursements	-	13,855	13,855
Cash and investments - ending	<u>\$ 326,000</u>	<u>\$ 359,535</u>	<u>\$ 685,535</u>

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Lake of the Woods Regional Sewer District	\$ 778	\$ -

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Lake of the Woods Regional Sewer District:				
Bassette Copier	Photocopy Machine	\$ 295	01-26-12	01-26-13
Pitney Bowes Global	Postage Machine Rental	<u>314</u>	01-05-12	01-05-13
Total of annual lease payments		<u>\$ 609</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Lake of the Woods Regional Sewer District:		
Notes and loans payable	State revolving fund loan - construction and financing of sewage works	
	<u>\$ 183,000</u>	<u>\$ 184,830</u>

LAKE OF THE WOODS REGIONAL SEWER 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.

	Ending Balance
Lake of the Woods Regional Sewer District:	
Land	\$ 221,158
Infrastructure	2,246,500
Buildings	147,145
Improvements other than buildings	2,400,846
Machinery, equipment and vehicles	272,441
Total capital assets	\$ 5,288,090

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
EXAMINATION RESULTS AND COMMENTS

***STATE AGENCIES - COMPLIANCE REQUIREMENTS***

The District did not comply with filing requirements of the State Board of Accounts. The Annual Financial Reports submitted for 2011 and 2012 included immaterial inaccuracies. Adjustments to the Operating Fund disbursements and balances were made by the State Board of Accounts and approved by the District to accurately represent the financial position of the District in this examination report.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Page 10-10)

***COMPENSATION - BOARD MEMBERS***

The District's salary ordinance allows Board members to receive compensation in excess of what is authorized by state statute. In 2011 and 2012, all of the District's Board members were paid amounts in excess of that established by state statute.

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 members of the board for each day or major part of a day devoted to the work of the district."

LAKE OF THE WOODS REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on March 20, 2013, with Jonathan G. Oswald, Treasurer, and Christine Egenlauf, Office Manager. The officials concurred with our findings.