

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

HAMILTON LAKE CONSERVANCY DISTRICT

STEBEN COUNTY, INDIANA

January 1, 2010 to December 31, 2012



FILED
11/18/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	6-7
Notes to Financial Statements	8-10
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	12-14
Schedule of Receivables	15
Schedule of Debt	16
Schedule of Capital Assets.....	17
Exit Conference.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Peter J. Crowl	01-01-10 to 12-31-13
Financial Clerk	Cynthia S. Oberlin	01-01-10 to 12-31-13
Chairman of the Board	John J. Dutton Lloyd J. Bartels	01-01-10 to 12-31-10 01-01-11 to 12-31-13



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE HAMILTON LAKE CONSERVANCY
DISTRICT, STEUBEN COUNTY, INDIANA

We have examined the accompanying financial statements of the Hamilton Lake Conservancy District (District), for the period of January 1, 2010 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 Indiana 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. The basis noted above is a different basis than that used in the prior period.

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, 2010 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, 2010 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 Receivables, Schedule of 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.

Paul D. Joyce
Paul D. Joyce, CPA
State Examiner

October 29, 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.

HAMILTON LAKE CONSERVANCY 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 Cash Operating	\$ 70,364	\$ 887,909	\$ 873,927	\$ 84,346
Wastewater Sinking	12,185	242,236	242,083	12,338
Wastewater Improvement	132,302	47,804	12,780	167,326
Wastewater Depreciation	105,845	78,981	53,948	130,878
Wastewater Reserve Sinking	265,519	2,016	-	267,535
Totals	<u>\$ 586,215</u>	<u>\$ 1,258,946</u>	<u>\$ 1,182,738</u>	<u>\$ 662,423</u>

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

HAMILTON LAKE CONSERVANCY DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
Wastewater Cash Operating	\$ 84,346	\$ 853,263	\$ 838,487	\$ 99,122	\$ 821,391	\$ 857,171	\$ 63,342
Wastewater Sinking	12,338	242,138	242,621	11,855	243,245	240,946	14,154
Wastewater Improvement	167,326	38,529	35,644	170,211	56,081	71,281	155,011
Wastewater Depreciation	130,878	48,674	57,093	122,459	48,400	40,894	129,965
Wastewater Reserve Sinking	<u>267,535</u>	<u>649</u>	<u>-</u>	<u>268,184</u>	<u>312</u>	<u>-</u>	<u>268,496</u>
Totals	<u>\$ 662,423</u>	<u>\$ 1,183,253</u>	<u>\$ 1,173,845</u>	<u>\$ 671,831</u>	<u>\$ 1,169,429</u>	<u>\$ 1,210,292</u>	<u>\$ 630,968</u>

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

HAMILTON LAKE CONSERVANCY 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 provides wastewater collection and treatment services.

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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

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.

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.

HAMILTON LAKE CONSERVANCY 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.

HAMILTON LAKE CONSERVANCY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Cost

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

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/.

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.

HAMILTON LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	Wastewater Cash Operating	Wastewater Sinking	Wastewater Improvement	Wastewater Depreciation	Wastewater Reserve Sinking	Totals
Cash and investments - beginning	\$ 70,364	\$ 12,185	\$ 132,302	\$ 105,845	\$ 265,519	\$ 586,215
Receipts:						
Utility fees	784,966	-	9,246	-	-	794,212
Other receipts	102,943	242,236	38,558	78,981	2,016	464,734
Total receipts	<u>887,909</u>	<u>242,236</u>	<u>47,804</u>	<u>78,981</u>	<u>2,016</u>	<u>1,258,946</u>
Disbursements:						
Debt service - principal and interest	-	242,083	-	-	-	242,083
Capital outlay	-	-	12,780	9,550	-	22,330
Utility operating expenses	430,467	-	-	44,398	-	474,865
Other disbursements	443,460	-	-	-	-	443,460
Total disbursements	<u>873,927</u>	<u>242,083</u>	<u>12,780</u>	<u>53,948</u>	<u>-</u>	<u>1,182,738</u>
Excess (deficiency) of receipts over disbursements	<u>13,982</u>	<u>153</u>	<u>35,024</u>	<u>25,033</u>	<u>2,016</u>	<u>76,208</u>
Cash and investments - ending	<u>\$ 84,346</u>	<u>\$ 12,338</u>	<u>\$ 167,326</u>	<u>\$ 130,878</u>	<u>\$ 267,535</u>	<u>\$ 662,423</u>

HAMILTON LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	Wastewater Cash Operating	Wastewater Sinking	Wastewater Improvement	Wastewater Depreciation	Wastewater Reserve Sinking	Totals
Cash and investments - beginning	\$ 84,346	\$ 12,338	\$ 167,326	\$ 130,878	\$ 267,535	\$ 662,423
Receipts:						
Utility fees	853,185	-	-	-	-	853,185
Penalties	-	-	7,816	-	-	7,816
Other receipts	78	242,138	30,713	48,674	649	322,252
Total receipts	853,263	242,138	38,529	48,674	649	1,183,253
Disbursements:						
Utility operating expenses	518,403	-	35,644	57,093	-	611,140
Other disbursements	320,084	242,621	-	-	-	562,705
Total disbursements	838,487	242,621	35,644	57,093	-	1,173,845
Excess (deficiency) of receipts over disbursements	14,776	(483)	2,885	(8,419)	649	9,408
Cash and investments - ending	\$ 99,122	\$ 11,855	\$ 170,211	\$ 122,459	\$ 268,184	\$ 671,831

HAMILTON LAKE CONSERVANCY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	Wastewater Cash Operating	Wastewater Sinking	Wastewater Improvement	Wastewater Depreciation	Wastewater Reserve Sinking	Totals
Cash and investments - beginning	\$ 99,122	\$ 11,855	\$ 170,211	\$ 122,459	\$ 268,184	\$ 671,831
Receipts:						
Utility fees	821,288	-	25,612	-	-	846,900
Other receipts	<u>103</u>	<u>243,245</u>	<u>30,469</u>	<u>48,400</u>	<u>312</u>	<u>322,529</u>
Total receipts	<u>821,391</u>	<u>243,245</u>	<u>56,081</u>	<u>48,400</u>	<u>312</u>	<u>1,169,429</u>
Disbursements:						
Capital outlay	-	-	56,626	-	-	56,626
Utility operating expenses	536,550	-	14,655	40,894	-	592,099
Other disbursements	<u>320,621</u>	<u>240,946</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>561,567</u>
Total disbursements	<u>857,171</u>	<u>240,946</u>	<u>71,281</u>	<u>40,894</u>	<u>-</u>	<u>1,210,292</u>
Excess (deficiency) of receipts over disbursements	<u>(35,780)</u>	<u>2,299</u>	<u>(15,200)</u>	<u>7,506</u>	<u>312</u>	<u>(40,863)</u>
Cash and investments - ending	<u>\$ 63,342</u>	<u>\$ 14,154</u>	<u>\$ 155,011</u>	<u>\$ 129,965</u>	<u>\$ 268,496</u>	<u>\$ 630,968</u>

HAMILTON LAKE CONSERVANCY DISTRICT
SCHEDULE OF RECEIVABLES
December 31, 2012

<u>Enterprise</u>	<u>Accounts Receivable</u>
Wastewater	<u>\$ 26,164</u>

HAMILTON LAKE CONSERVANCY DISTRICT
 SCHEDULE OF DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	SRF Loan	<u>\$ 2,003,000</u>	<u>\$ 35,560</u>

HAMILTON LAKE CONSERVANCY 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.

	<u>Ending Balance</u>
Business-type activities:	
Land	\$ 61,045
Buildings	4,181,967
Improvements other than buildings	5,230,986
Machinery, equipment, and vehicles	<u>213,407</u>
Total capital assets	<u>\$ 9,687,405</u>

HAMILTON LAKE CONSERVANCY DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on October 29, 2013, with Lloyd J. Bartels, Chairman of the Board, and Cynthia S. Oberlin, Financial Clerk. Our examination disclosed no material items that warrant comment at this time.