

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

EXAMINATION REPORT  
OF  
LAKE GEORGE REGIONAL SEWER DISTRICT  
STEUBEN COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/28/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Manager	James C. Humbarger	01-01-08 to 12-31-10
Treasurer	John S. Bender II	01-01-08 to 12-31-10
President of the Board of Trustees	Lyle Reiff Greg Didier	01-01-08 to 06-30-08 07-01-08 to 06-30-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE GEORGE REGIONAL  
SEWER DISTRICT, STEUBEN COUNTY, INDIANA

We have examined the accompanying financial statements of the business-type activities of the Lake George Regional Sewer District (District), as of and for the years ended December 31, 2008, and 2009. The District's management is responsible for the financial statements 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 statement 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 statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District as of December 31, 2008, and 2009, and the respective changes in financial position and cash flows, where applicable, thereof and for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The District has not presented Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

STATE BOARD OF ACCOUNTS

October 18, 2010

LAKE GEORGE REGIONAL SEWER DISTRICT  
STATEMENT OF NET ASSETS  
December 31, 2008 and 2009

<u>Assets</u>	<u>2008</u>	<u>2009</u>
Cash and cash equivalents	\$ 31,361	\$ 30,951
Receivables (net of allowances for uncollectibles):		
Accounts	20,541	4,893
Restricted assets:		
Improvement cash and investments	149,718	192,586
Reserve fund cash and investments	328,107	326,970
Bond and interest cash and investments	163,770	163,480
Capital assets:		
Land, improvements and construction in progress	126,168	126,168
Other capital assets, net of depreciation	<u>5,737,638</u>	<u>5,619,815</u>
 Total assets	 <u>6,557,303</u>	 <u>6,464,863</u>
 <u>Liabilities</u>		
Customer advance payments	20,287	24,412
Current liabilities payable from restricted assets:		
Accrued interest payable	23,900	21,110
Advances for construction	2,000	2,000
Loan payable	279,000	284,000
Due in more than one year:		
Loans payable	<u>2,111,000</u>	<u>1,827,000</u>
 Total liabilities	 <u>2,436,187</u>	 <u>2,158,522</u>
 <u>Net Assets</u>		
Invested in capital assets, net of related debt	3,473,806	3,634,983
Restricted for:		
Debt service	467,977	469,340
Other purposes	149,718	192,586
Unrestricted	<u>29,615</u>	<u>9,432</u>
 Total net assets	 <u>\$ 4,121,116</u>	 <u>\$ 4,306,341</u>

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

LAKE GEORGE REGIONAL SEWER DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET ASSETS  
PROPRIETARY FUND

For The Years Ended December 31, 2008 and 2009

	<u>2008</u>	<u>2009</u>
Operating revenues:		
Flat rate revenues	\$ 540,170	\$ 532,841
Repair fees	16,870	32,771
Permit fees	735	315
Connection fees	-	1,780
Other	<u>2,671</u>	<u>1,658</u>
 Total operating revenues	 <u>560,446</u>	 <u>569,365</u>
 Operating expenses:		
Inspection and maintenance	63,101	82,818
Treatment and disposal expense - operations and maintenance	39,280	43,457
Administration and general expenses:		
Salaries and wages	33,500	34,000
Employee benefits	2,696	2,734
Collection fees	1,805	831
Conventions and meetings	770	482
Depreciation	122,347	117,823
Dues and subscriptions	80	1,034
Licenses and permits	100	100
Insurance	9,187	10,218
Meals and entertainment	139	194
Miscellaneous	3,486	3,479
Office supplies	1,188	1,743
Postage	655	732
Professional fees	16,707	25,241
Rent	266	-
Taxes other	6	-
Telephone	5,557	2,876
Travel	4,532	4,290
Utilities	<u>11,660</u>	<u>11,038</u>
 Total operating expenses	 <u>317,062</u>	 <u>343,090</u>
 Operating income	 <u>243,384</u>	 <u>226,275</u>
 Nonoperating revenues (expenses):		
Interest and investment revenue	15,300	3,960
Interest expense	<u>(50,530)</u>	<u>(45,010)</u>
 Total nonoperating revenue (expenses)	 <u>(35,230)</u>	 <u>(41,050)</u>
 Income before contributions and transfers	 208,154	 185,225
 Change in net assets	 208,154	 185,225
Total net assets - beginning	<u>3,912,962</u>	<u>4,121,116</u>
Total net assets - ending	<u>\$ 4,121,116</u>	<u>\$ 4,306,341</u>

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

LAKE GEORGE REGIONAL SEWER DISTRICT  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For The Years Ended December 31, 2008 and 2009

	<u>2008</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers and users	\$ 556,022	\$ 583,355
Payments to suppliers	(156,952)	(184,408)
Payments to employees	(36,196)	(36,734)
Other receipts	<u>2,671</u>	<u>1,658</u>
Net cash provided by operating activities	<u>365,545</u>	<u>363,871</u>
Cash flows from noncapital financing activities		
Cash flows from capital and related financing activities:		
Purchase of capital assets	(20,436)	-
Principal paid on capital debt	(273,000)	(279,000)
Interest paid on capital debt	<u>(53,260)</u>	<u>(47,800)</u>
Net cash used by capital and related financing activities	<u>(346,696)</u>	<u>(326,800)</u>
Cash flows from investing activities:		
Interest received	<u>15,301</u>	<u>3,960</u>
Net increase in cash and cash equivalents	34,150	41,031
Cash and cash equivalents, January 1	<u>638,806</u>	<u>672,956</u>
Cash and cash equivalents, December 31	<u>\$ 672,956</u>	<u>\$ 713,987</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	<u>\$ 243,384</u>	<u>\$ 226,275</u>
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	122,347	117,823
(Increase) decrease in assets:		
Accounts receivable	(1,753)	15,648
Increase (decrease) in liabilities:		
Advances for construction	1,000	-
Customer advance payments	<u>567</u>	<u>4,125</u>
Total adjustments	<u>122,161</u>	<u>137,596</u>
Net cash provided by operating activities	<u>\$ 365,545</u>	<u>\$ 363,871</u>

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

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was established under the laws of the State of Indiana. The District operates under an appointed Board of Trustees form of government and provides the following service: wastewater treatment.

The accompanying financial statements present the activities of the District. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Fund Net Assets; and the Statement of Cash Flows. Business-type activities rely to a significant extent on fees and charges for support.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the business-type activity are maintained and the financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements.

When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Restricted Assets

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, utility plant betterment and improvements, or funds held in trust capacity, are classified as restricted assets on the statement of net assets balance sheet because their use is limited by applicable bond indentures or governing body action.

The financial statements report \$641,595 and \$683,036 of restricted net assets in 2008 and 2009, respectively.

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$ 10,000	Straight-line	60 to 75 years
Equipment	1,000	Straight-line	20 to 50 years

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

4. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

II. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. At December 31, 2009, the District had deposit balances in the amount of \$713,987.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Capital Assets

Capital asset activity for the two-year examination period ended December 31, 2009, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
2008:				
Capital assets, not being depreciated:				
Land	\$ 126,168	\$ -	\$ -	\$ 126,168
Capital assets, being depreciated:				
Buildings	810,704	-	-	810,704
Improvements other than buildings	5,563,978	-	-	5,563,978
Machinery and equipment	564,476	20,435	-	584,911
Totals	<u>6,939,158</u>	<u>20,435</u>	<u>-</u>	<u>6,959,593</u>
Less accumulated depreciation for:				
Buildings	(85,000)	(10,809)	-	(95,809)
Improvements other than buildings	(899,308)	(98,280)	-	(997,588)
Machinery and equipment	(115,300)	(13,258)	-	(128,558)
Totals	<u>(1,099,608)</u>	<u>(122,347)</u>	<u>-</u>	<u>(1,221,955)</u>
Total capital assets, being depreciated, net	<u>5,839,550</u>	<u>(101,912)</u>	<u>-</u>	<u>5,737,638</u>
Total capital assets, net	<u>\$ 5,965,718</u>	<u>\$ (101,912)</u>	<u>\$ -</u>	<u>\$ 5,863,806</u>
2009:				
Capital assets, not being depreciated:				
Land	\$ 126,168	\$ -	\$ -	\$ 126,168
Capital assets, being depreciated:				
Buildings	810,704	-	-	810,704
Improvements other than buildings	5,563,978	-	-	5,563,978
Machinery and equipment	584,911	-	-	584,911
Totals	<u>6,959,593</u>	<u>-</u>	<u>-</u>	<u>6,959,593</u>
Less accumulated depreciation for:				
Buildings	(95,809)	(10,809)	-	(106,618)
Improvements other than buildings	(997,588)	(92,735)	-	(1,090,323)
Machinery and equipment	(128,558)	(14,279)	-	(142,837)
Total capital assets, being depreciated, net	<u>5,737,638</u>	<u>(117,823)</u>	<u>-</u>	<u>5,619,815</u>
Total capital assets, net	<u>\$ 5,863,806</u>	<u>\$ (117,823)</u>	<u>\$ -</u>	<u>\$ 5,745,983</u>

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Depreciation expense was charged to functions/programs of the District as follows:

	2008	2009
Sewer	\$ 122,347	\$ 117,823

C. Long-Term Liabilities

1. Loan Payable

Under the terms of the State Revolving Loan Fund, revenue bonds were purchased by the Indiana Bond Bank, the proceeds of which were used to finance the construction of sewer lines. The 1994 loan established a maximum draw of \$5,337,000. At the completion of construction, the outstanding principal balance of \$5,337,000 was amortized over a period of 16 years. Annual debt service requirements to maturity for this loan, including interest of \$151,050, are as follows:

	Principal	Interest
2010	\$ 284,000	\$ 21,110
2011	290,000	36,540
2012	296,000	30,740
2013	301,000	24,820
2014	307,000	18,800
2015-2019	633,000	19,040
Totals	\$ 2,111,000	\$ 151,050

2. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2008:					
Loan payable	\$ 2,663,000	\$ -	\$ 273,000	\$ 2,390,000	\$ 279,000
2009:					
Loan payable	\$ 2,390,000	\$ -	\$ 279,000	\$ 2,111,000	\$ 284,000

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Restricted Assets

The balances of restricted asset accounts in the enterprise funds are as follows:

	2008	2009
Improvement cash and investments	\$ 149,718	\$ 192,586
Reserve fund cash and investments	328,107	326,970
Bond and interest cash and investments	163,770	163,480
 Total restricted assets	 \$ 641,595	 \$ 683,036

III. Other Information

A. Risk Management

The District is 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 (excluding post employment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees (excluding post employment benefits); and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure

The current rate structure was approved by the District on December 7, 1993. The District has 550 customers.

LAKE GEORGE REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2010, with John S. Bender II, Treasurer, and Randy P. Tilbury, CPA. Our examination disclosed no material items that warrant comment at this time.