

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

FINANCIAL STATEMENTS  
EXAMINATION REPORT  
OF

TURKEY CREEK REGIONAL SEWER DISTRICT  
KOSCIUSKO COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**  
03/14/2016



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Accountant's Report.....	3
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	6-7
Notes to Financial Statements.....	8-10
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	12-15
Schedule of Payables and Receivables .....	17
Schedule of Leases and Debt .....	18
Schedule of Capital Assets.....	19
Other Reports.....	20

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Pamela M. Johns	01-01-11 to 12-31-15
Superintendent	Timothy Woodward	01-01-11 to 12-31-15
Treasurer	James M. Evans Daniel J. Mikolajczak	01-01-11 to 10-18-15 10-19-15 to 12-31-15
President of the Board	Rex A. Heil	01-01-11 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TURKEY CREEK REGIONAL  
SEWER DISTRICT, KOSCIUSKO COUNTY, INDIANA

We have examined the accompanying financial statements of the Turkey Creek Regional Sewer District (District), for the period of January 1, 2011 to December 31, 2014. 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.

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, 2014.

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, 2014, 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.

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

December 29, 2015

(This page intentionally left blank.)

## FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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.

TURKEY CREEK REGIONAL SEWER 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 Utility Operating	\$ 130,300	\$ 1,420,563	\$ 1,420,563	\$ 130,300	\$ 1,314,453	\$ 1,314,453	\$ 130,300
Buttermilk	41,105	219	-	41,324	-	-	41,324
Wastewater Bond and Interest	437,659	515,536	515,369	437,826	511,395	511,380	437,841
Wastewater SWI	874,571	614,643	595,587	893,627	451,258	541,438	803,447
Water Utility Operating	31,667	54,485	55,144	31,008	56,158	60,598	26,568
Water Utility Customer Deposit	4,900	700	750	4,850	550	950	4,450
Totals	<u>\$ 1,520,202</u>	<u>\$ 2,606,146</u>	<u>\$ 2,587,413</u>	<u>\$ 1,538,935</u>	<u>\$ 2,333,814</u>	<u>\$ 2,428,819</u>	<u>\$ 1,443,930</u>

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

TURKEY CREEK REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Wastewater Utility Operating	\$ 130,300	\$ 1,379,828	\$ 1,379,828	\$ 130,300	\$ 1,484,205	\$ 1,484,205	\$ 130,300
Buttermilk	41,324	1,594	-	42,918	282	43,200	-
Wastewater Bond and Interest	437,841	529,394	512,736	454,499	513,533	513,605	454,427
Wastewater SWI	803,447	505,160	583,670	724,937	556,304	567,208	714,033
Water Utility Operating	26,568	55,400	65,038	16,930	66,858	61,454	22,334
Water Utility Customer Deposit	4,450	800	600	4,650	300	475	4,475
Totals	<u>\$ 1,443,930</u>	<u>\$ 2,472,176</u>	<u>\$ 2,541,872</u>	<u>\$ 1,374,234</u>	<u>\$ 2,621,482</u>	<u>\$ 2,670,147</u>	<u>\$ 1,325,569</u>

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

TURKEY CREEK 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 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 may 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 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.

TURKEY CREEK REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 includes 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.

**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.

**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.

TURKEY CREEK 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. Subsequent Events**

On October 20, 2015, the District issued \$4,060,000 in Sewage Works Revenue Bonds to finance the Southshore Waco Area Project, an expansion of the sewer lines, and wastewater treatment plant improvements. The District also issued a \$1,000,000 Bond Anticipation Note (BAN) dated February 3, 2015, to finance preliminary project costs. The BAN was repaid on November 22, 2015. Construction began in October 2015, and is estimated to be completed in August 2016. The estimated total project cost is \$5,900,000. Additional funding is through initial capital and availability charges to the customers.

#### OTHER INFORMATION - UNAUDITED

The District's 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 other information presented was approved by management of the District. It is presented as intended by the District.

TURKEY CREEK REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2011

	Wastewater Utility Operating	Buttermilk	Wastewater Bond and Interest	Wastewater SWI	Water Utility Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 130,300	\$ 41,105	\$ 437,659	\$ 874,571	\$ 31,667	\$ 4,900	\$ 1,520,202
Receipts:							
Utility fees	1,305,966	-	-	-	52,859	-	1,358,825
Penalties	15,455	-	-	-	1,626	-	17,081
Other receipts	<u>99,142</u>	<u>219</u>	<u>515,536</u>	<u>614,643</u>	<u>-</u>	<u>700</u>	<u>1,230,240</u>
Total receipts	<u>1,420,563</u>	<u>219</u>	<u>515,536</u>	<u>614,643</u>	<u>54,485</u>	<u>700</u>	<u>2,606,146</u>
Disbursements:							
Personal services	225,905	-	-	-	20,693	-	246,598
Other services and charges	18,141	-	-	-	2,378	-	20,519
Debt service - principal and interest	-	-	515,369	-	-	-	515,369
Utility operating expenses	598,153	-	-	-	32,052	-	630,205
Other disbursements	<u>578,364</u>	<u>-</u>	<u>-</u>	<u>595,587</u>	<u>21</u>	<u>750</u>	<u>1,174,722</u>
Total disbursements	<u>1,420,563</u>	<u>-</u>	<u>515,369</u>	<u>595,587</u>	<u>55,144</u>	<u>750</u>	<u>2,587,413</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>219</u>	<u>167</u>	<u>19,056</u>	<u>(659)</u>	<u>(50)</u>	<u>18,733</u>
Cash and investments - ending	<u>\$ 130,300</u>	<u>\$ 41,324</u>	<u>\$ 437,826</u>	<u>\$ 893,627</u>	<u>\$ 31,008</u>	<u>\$ 4,850</u>	<u>\$ 1,538,935</u>

TURKEY CREEK REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012

	Wastewater Utility Operating	Buttermilk	Wastewater Bond and Interest	Wastewater SWI	Water Utility Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 130,300	\$ 41,324	\$ 437,826	\$ 893,627	\$ 31,008	\$ 4,850	\$ 1,538,935
Receipts:							
Utility fees	1,299,337	-	-	-	54,485	-	1,353,822
Penalties	14,928	-	-	-	1,673	-	16,601
Other receipts	188	-	511,395	451,258	-	550	963,391
Total receipts	1,314,453	-	511,395	451,258	56,158	550	2,333,814
Disbursements:							
Personal services	232,331	-	-	-	19,858	-	252,189
Other services and charges	23,321	-	-	-	2,617	-	25,938
Debt service - principal and interest	-	-	511,312	-	-	-	511,312
Utility operating expenses	637,669	-	68	-	37,922	-	675,659
Other disbursements	421,132	-	-	541,438	201	950	963,721
Total disbursements	1,314,453	-	511,380	541,438	60,598	950	2,428,819
Excess (deficiency) of receipts over disbursements	-	-	15	(90,180)	(4,440)	(400)	(95,005)
Cash and investments - ending	\$ 130,300	\$ 41,324	\$ 437,841	\$ 803,447	\$ 26,568	\$ 4,450	\$ 1,443,930

TURKEY CREEK REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	Wastewater Utility Operating	Buttermilk	Wastewater Bond and Interest	Wastewater SWI	Water Utility Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 130,300	\$ 41,324	\$ 437,841	\$ 803,447	\$ 26,568	\$ 4,450	\$ 1,443,930
Receipts:							
Utility fees	1,357,083	-	-	-	53,802	-	1,410,885
Penalties	16,574	-	-	-	1,598	-	18,172
Other receipts	6,171	1,594	529,394	505,160	-	800	1,043,119
Total receipts	1,379,828	1,594	529,394	505,160	55,400	800	2,472,176
Disbursements:							
Personal services	235,726	-	-	-	20,020	-	255,746
Other services and charges	19,161	-	-	-	2,264	-	21,425
Debt service - principal and interest	-	-	512,668	-	-	-	512,668
Utility operating expenses	690,789	-	-	-	42,754	-	733,543
Other disbursements	434,152	-	68	583,670	-	600	1,018,490
Total disbursements	1,379,828	-	512,736	583,670	65,038	600	2,541,872
Excess (deficiency) of receipts over disbursements	-	1,594	16,658	(78,510)	(9,638)	200	(69,696)
Cash and investments - ending	\$ 130,300	\$ 42,918	\$ 454,499	\$ 724,937	\$ 16,930	\$ 4,650	\$ 1,374,234

TURKEY CREEK REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	Wastewater Utility Operating	Buttermilk	Wastewater Bond and Interest	Wastewater SWI	Water Utility Operating	Water Utility Customer Deposit	Totals
Cash and investments - beginning	\$ 130,300	\$ 42,918	\$ 454,499	\$ 724,937	\$ 16,930	\$ 4,650	\$ 1,374,234
Receipts:							
Utility fees	1,424,652	-	-	-	65,002	-	1,489,654
Penalties	16,354	-	-	-	1,854	-	18,208
Other receipts	43,199	282	513,533	556,304	2	300	1,113,620
Total receipts	<u>1,484,205</u>	<u>282</u>	<u>513,533</u>	<u>556,304</u>	<u>66,858</u>	<u>300</u>	<u>2,621,482</u>
Disbursements:							
Personal services	244,898	-	-	-	20,746	-	265,644
Other services and charges	21,200	-	-	-	2,394	-	23,594
Debt service - principal and interest	-	-	513,545	-	-	-	513,545
Capital outlay	295,319	-	-	-	-	-	295,319
Utility operating expenses	420,166	-	-	-	34,557	-	454,723
Other disbursements	502,622	43,200	60	567,208	3,757	475	1,117,322
Total disbursements	<u>1,484,205</u>	<u>43,200</u>	<u>513,605</u>	<u>567,208</u>	<u>61,454</u>	<u>475</u>	<u>2,670,147</u>
Excess (deficiency) of receipts over disbursements	-	(42,918)	(72)	(10,904)	5,404	(175)	(48,665)
Cash and investments - ending	<u>\$ 130,300</u>	<u>\$ -</u>	<u>\$ 454,427</u>	<u>\$ 714,033</u>	<u>\$ 22,334</u>	<u>\$ 4,475</u>	<u>\$ 1,325,569</u>

(This page intentionally left blank.)

TURKEY CREEK REGIONAL SEWER DISTRICT  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 21,441
Water	-	2,602
Totals	\$ -	\$ 24,043

TURKEY CREEK REGIONAL SEWER DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2014

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Loan payable	Vactor Truck	\$ 91,600	\$ 14,838
Revenue bonds payable	Sewage Plant Improvements	1,495,000	85,933
Loan payable	State Revolving Fund Improvements	<u>1,066,022</u>	<u>215,787</u>
Totals		<u>\$ 2,652,622</u>	<u>\$ 316,558</u>

TURKEY CREEK REGIONAL SEWER DISTRICT  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2014

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	\$ 213,824
Infrastructure	15,399,414
Buildings	841,288
Improvements other than buildings	1,222,056
Machinery, equipment, and vehicles	1,233,895
Books and other	20,634
Total Wastewater	18,931,111
Water:	
Land	25,500
Infrastructure	86,351
Buildings	138,132
Improvements other than buildings	15,852
Total Water	265,835
Total capital assets	\$ 19,196,946

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.