

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

LAKETON AREA REGIONAL SEWER DISTRICT

WABASH COUNTY, INDIANA

May 11, 2011 to December 31, 2013



**FILED**  
10/27/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Cheryl A. Slee	05-11-11 to 12-31-18
President of the Board	Stan Bagley	05-11-11 to 12-31-17



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AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKETON AREA REGIONAL  
SEWER DISTRICT, WABASH COUNTY, INDIANA

We have examined the accompanying financial statement of the Laketon Area Regional Sewer District (District), for the period of May 11, 2011 to December 31, 2013. The District's management is responsible for the fair presentation of this financial statement in accordance with the prescribed basis of accounting described in Note 1. Our responsibility is to express an opinion on the financial statement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statement is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statement. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.


As discussed in Note 1 to the financial statement, the District prepares its financial statement 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 statement 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 described in the preceding paragraph, the financial statement for the period of May 11, 2011 to December 31, 2013, referred to above, does not present, in conformity with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District.

INDEPENDENT ACCOUNTANT'S REPORT  
(Continued)

In our opinion, the financial statement for the period of May 11, 2011 to December 31, 2013, referred to above, presents the financial position and results of operations of the District based on the prescribed basis of accounting described in Note 1 to the financial statement, in all material respects.

Our examination was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

September 12, 2017

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District.  
The financial statement and notes are presented as intended by the District.

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LAKETON AREA REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2011, 2012, and 2013

Fund	Cash and Investments 05-11-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Operating	\$ -	\$ 16,965	\$ 2,520	\$ 14,445	\$ -	\$ 12,226	\$ 2,219	\$ 1,925	\$ 2,272	\$ 1,872
Construction	-	-	-	-	-	-	-	371,554	242,740	128,814
Totals	<u>\$ -</u>	<u>\$ 16,965</u>	<u>\$ 2,520</u>	<u>\$ 14,445</u>	<u>\$ -</u>	<u>\$ 12,226</u>	<u>\$ 2,219</u>	<u>\$ 373,479</u>	<u>\$ 245,012</u>	<u>\$ 130,686</u>

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

LAKETON AREA REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENT

**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 statement presents the financial information for the District.

*B. Basis of Accounting*

The financial statement is 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 statement. The aggregate receipts include the following sources:

*Other receipts.* Amounts received from various sources, including, but 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 statement. The aggregate disbursements include the following uses:

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

LAKETON AREA REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Debt service - principal and interest.* Amounts disbursed for 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.

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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, the following: 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.

LAKETON AREA REGIONAL SEWER DISTRICT  
 NOTES TO FINANCIAL STATEMENT  
 (Continued)

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 4. Subsequent Event**

In 2014, the District was awarded funding from the United States Department of Agriculture. The funding was in the form of a loan (\$2,063,000) and a grant (\$2,562,400 maximum). The following amounts have been received and expended:

Years	USDA Loan	USDA Grant
2014	\$ 1,200,869	\$ -
2015	862,13	1,705,54
2016	-	6,664
2017	-	284,294

#### OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Reports information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the District's Annual Financial Reports 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.

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

	Operating	Construction	Totals
Cash and investments - beginning	\$ <u>          -</u>	\$ <u>          -</u>	\$ <u>          -</u>
Receipts:			
Other receipts	<u>          16,965</u>	<u>                  -</u>	<u>          16,965</u>
Total receipts	<u>          16,965</u>	<u>                  -</u>	<u>          16,965</u>
Disbursements:			
Supplies	<u>              20</u>	<u>                  -</u>	<u>              20</u>
Other services and charges	<u>          2,500</u>	<u>                  -</u>	<u>          2,500</u>
Total disbursements	<u>          2,520</u>	<u>                  -</u>	<u>          2,520</u>
Excess of receipts over disbursements	<u>          14,445</u>	<u>                  -</u>	<u>          14,445</u>
Cash and investments - ending	<u>          14,445</u>	<u>                  -</u>	<u>          14,445</u>

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

	Operating	Construction	Totals
Cash and investments - beginning	\$ 14,445	\$ -	\$ 14,445
Receipts:			
Other receipts	-	-	-
Total receipts	-	-	-
Disbursements:			
Supplies	120	-	120
Other services and charges	12,106	-	12,106
Total disbursements	12,226	-	12,226
Excess (deficiency) of receipts over disbursements	(12,226)	-	(12,226)
Cash and investments - ending	\$ 2,219	\$ -	\$ 2,219

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

	<u>Operating</u>	<u>Construction</u>	<u>Totals</u>
Cash and investments - beginning	\$ 2,219	\$ -	\$ 2,219
Receipts:			
Other receipts	<u>1,925</u>	<u>371,554</u>	<u>373,479</u>
Total receipts	<u>1,925</u>	<u>371,554</u>	<u>373,479</u>
Disbursements:			
Supplies	291	-	291
Other services and charges	1,981	240,490	242,471
Debt service - principal and interest	-	2,000	2,000
Other disbursements	<u>-</u>	<u>250</u>	<u>250</u>
Total disbursements	<u>2,272</u>	<u>242,740</u>	<u>245,012</u>
Excess (deficiency) of receipts over disbursements	<u>(347)</u>	<u>128,814</u>	<u>128,467</u>
Cash and investments - ending	<u>\$ 1,872</u>	<u>\$ 128,814</u>	<u>\$ 130,686</u>

LAKETON AREA REGIONAL SEWER DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2013

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
General obligation bonds	BAN to cover expenses prior to grant	\$ 375,000	\$ 375,292
Notes and loans payable	Temporary loan from Wabash County (CEDIT funds)	<u>18,890</u>	<u>18,890</u>
Totals		<u>\$ 393,890</u>	<u>\$ 394,182</u>

#### 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/>.