

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

LEO-CEDARVILLE REGIONAL SEWER DISTRICT

ALLEN COUNTY, INDIANA

January 1, 2015 to December 31, 2016



FILED
11/30/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3-4
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment	
Balances - Regulatory Basis	7
Notes to Financial Statement	8-11
Other Information - Unexamined:	
Combining Schedules of Receipts, Disbursements, and Cash and	
Investment Balances - Regulatory Basis	14-15
Schedule of Leases and Debt	16
Schedule of Capital Assets.....	17
Other Reports.....	18

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Amy Shuler Rick Neff	01-01-15 to 09-01-17 09-02-17 to 12-31-17
Financial Clerk	Laura Dever Melissa Dafforn	01-01-15 to 11-30-16 12-01-16 to 12-31-17
President of the Board	David Jones	01-01-15 to 12-31-17
Operations Manager	Basil Wisler Brad Carnes	01-01-15 to 07-10-16 07-11-16 to 12-31-17



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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LEO-CEDARVILLE REGIONAL
SEWER DISTRICT, ALLEN COUNTY, INDIANA

We have examined the accompanying financial statement of the Leo-Cedarville Regional Sewer District (District), for the period of January 1, 2015 to December 31, 2016. The District's management is responsible for the fair presentation of these 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 are 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 January 1, 2015 to December 31, 2016, 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 January 1, 2015 to December 31, 2016, 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, 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 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

October 16, 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.

(This page intentionally left blank.)

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2015 and 2016

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Sinking Fund - Bond & Interest	\$ 210,766	\$ 236,233	\$ 196,828	\$ 250,171	\$ 232,873	\$ 364,923	\$ 118,121
Sinking Fund - Debt Service	25,538	23,573	-	49,111	186,653	-	235,764
USDA Construction Fund	500	490,737	490,737	500	357,020	357,020	500
Capital Improvement	1,628,761	115,164	68,525	1,675,400	190,654	357,079	1,508,975
Cash Operating	179,103	1,117,727	1,108,907	187,923	1,176,226	1,158,069	206,080
Totals	<u>\$ 2,044,668</u>	<u>\$ 1,983,434</u>	<u>\$ 1,864,997</u>	<u>\$ 2,163,105</u>	<u>\$ 2,143,426</u>	<u>\$ 2,237,091</u>	<u>\$ 2,069,440</u>

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

LEO-CEDARVILLE 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:

Licenses and permits. Amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

Charges for services. Amounts received for services including, but not limited to, the following: copies of public records, copy machines charges, and utility fees for amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed 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.

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.

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.

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Budgets

The operating budget is prepared and approved at the local level.

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 5. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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
One North Capitol, 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.

(This page intentionally left blank.)

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.

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Sinking Fund - Bond & Interest	Sinking Fund - Debt Service	USDA Construction Fund	Capital Improvement	Cash Operating	Totals
Cash and investments - beginning	\$ 210,766	\$ 25,538	\$ 500	\$ 1,628,761	\$ 179,103	\$ 2,044,668
Receipts:						
Licenses and permits	-	-	-	-	9,000	9,000
Charges for services	-	-	-	-	1,096,612	1,096,612
Penalties	-	-	-	-	6,175	6,175
Other receipts	<u>236,233</u>	<u>23,573</u>	<u>490,737</u>	<u>115,164</u>	<u>5,940</u>	<u>871,647</u>
Total receipts	<u>236,233</u>	<u>23,573</u>	<u>490,737</u>	<u>115,164</u>	<u>1,117,727</u>	<u>1,983,434</u>
Disbursements:						
Personal services	-	-	-	-	158,742	158,742
Supplies	-	-	-	3,088	30,970	34,058
Other services and charges	-	-	-	53	534,759	534,812
Debt service - principal and interest	196,828	-	-	-	-	196,828
Capital outlay	-	-	490,737	60,368	3,641	554,746
Other disbursements	-	-	-	5,016	380,795	385,811
Total disbursements	<u>196,828</u>	<u>-</u>	<u>490,737</u>	<u>68,525</u>	<u>1,108,907</u>	<u>1,864,997</u>
Excess (deficiency) of receipts over disbursements	<u>39,405</u>	<u>23,573</u>	<u>-</u>	<u>46,639</u>	<u>8,820</u>	<u>118,437</u>
Cash and investments - ending	<u>\$ 250,171</u>	<u>\$ 49,111</u>	<u>\$ 500</u>	<u>\$ 1,675,400</u>	<u>\$ 187,923</u>	<u>\$ 2,163,105</u>

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Sinking Fund - Bond & Interest	Sinking Fund - Debt Service	USDA Construction Fund	Capital Improvement	Cash Operating	Totals
Cash and investments - beginning	\$ 250,171	\$ 49,111	\$ 500	\$ 1,675,400	\$ 187,923	\$ 2,163,105
Receipts:						
Licenses and permits	-	-	-	-	13,500	13,500
Charges for services	-	-	-	-	1,142,554	1,142,554
Penalties	-	-	-	-	10,741	10,741
Other receipts	<u>232,873</u>	<u>186,653</u>	<u>357,020</u>	<u>190,654</u>	<u>9,431</u>	<u>976,631</u>
Total receipts	<u>232,873</u>	<u>186,653</u>	<u>357,020</u>	<u>190,654</u>	<u>1,176,226</u>	<u>2,143,426</u>
Disbursements:						
Personal services	-	-	-	-	168,383	168,383
Supplies	-	-	-	-	14,692	14,692
Other services and charges	-	-	-	-	535,702	535,702
Debt service - principal and interest	228,609	-	-	-	-	228,609
Capital outlay	-	-	357,020	189,196	1,516	547,732
Other disbursements	<u>136,314</u>	<u>-</u>	<u>-</u>	<u>167,883</u>	<u>437,776</u>	<u>741,973</u>
Total disbursements	<u>364,923</u>	<u>-</u>	<u>357,020</u>	<u>357,079</u>	<u>1,158,069</u>	<u>2,237,091</u>
Excess (deficiency) of receipts over disbursements	<u>(132,050)</u>	<u>186,653</u>	<u>-</u>	<u>(166,425)</u>	<u>18,157</u>	<u>(93,665)</u>
Cash and investments - ending	<u>\$ 118,121</u>	<u>\$ 235,764</u>	<u>\$ 500</u>	<u>\$ 1,508,975</u>	<u>\$ 206,080</u>	<u>\$ 2,069,440</u>

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities: Revenue bonds	Sewage Works Revenue Bond 2013	<u>\$ 4,870,000</u>	<u>\$ 235,681</u>

LEO-CEDARVILLE REGIONAL SEWER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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
Governmental activities:	
Land	\$ 230,806
Infrastructure	11,411,863
Buildings	323,887
Improvements other than buildings	3,200
Machinery, equipment, and vehicles	547,036
Books and other	24,291
Total capital assets	\$ 12,541,083

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/>.