

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TWIN LAKES REGIONAL SEWER DISTRICT

WHITE COUNTY, INDIANA

January 1, 2014 to December 31, 2016



FILED
12/13/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3-4
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 - Unexamined:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	13-18
Schedule of Payables and Receivables	19
Schedule of Leases and Debt	20
Schedule of Capital Assets.....	21
Other Reports.....	22

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Michael Darter	01-01-14 to 12-31-17
Office and Financial Manager	James Crawn (Vacant) Jacqueline Franklin	01-01-14 to 05-06-15 05-07-15 to 07-12-15 07-13-15 to 12-31-17
Treasurer	Jamie Rough Larry Holderly Otto R. Leis	01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-17
President of the Board of Trustees	John A. Mitchell Lynn Wilson	01-01-14 to 12-31-14 01-01-15 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 TWIN LAKES REGIONAL SEWER DISTRICT, WHITE COUNTY, INDIANA

We have examined the accompanying financial statements of the Twin Lakes Regional Sewer District (District), for the period of January 1, 2014 to December 31, 2016. The District's management is responsible for the fair presentation of these financial statements in accordance with the prescribed basis of accounting described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statements. 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 statements, 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 statements, 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 described in the preceding paragraph, the financial statements for the period of January 1, 2014 to December 31, 2016, referred to above, do 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 statements for the period of January 1, 2014 to December 31, 2016, referred to above, present the financial position and results of operations of the District based on the prescribed basis of accounting described in Note 1 to the financial statements, in all material respects.

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, CPA
State Examiner

December 12, 2017

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.

TWIN LAKES REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2014 and 2015

Φ

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Sewer Construction Fund	\$ 178,450	\$ 5,000	\$ 183,450	\$ -	\$ 33,696,496	\$ 29,333,444	\$ 4,363,052
Sewer Debt Service Reserve	1,966,438	302	1,966,740	-	-	-	-
Sewer Debt Service Reserve 2015	-	-	-	-	6,701,689	4,718,438	1,983,251
Sewer Debt Service Reserve 2011	-	2,155,501	14	2,155,487	316,974	2,289,418	183,043
Sewer Cash In Drawer	500	-	-	500	-	-	500
Sewer Operation & Maintenance Fund	321,635	5,012,668	4,977,886	356,417	6,479,866	5,288,070	1,548,213
Sewer Payroll Fund	27,603	683,167	702,992	7,778	701,980	708,749	1,009
Sewer Petty Cash Fund	1,587	29,067	27,868	2,786	38,001	38,526	2,261
Sewer Petty Cash In Drawer	100	-	-	100	-	-	100
Sewer Capital Improvement Fund	255,292	3,632	122,881	136,043	280,738	113,417	303,364
Sewer Sinking Fund	1,852,711	2,678,416	2,627,791	1,903,336	31,037,950	32,728,688	212,598
Totals	<u>\$ 4,604,316</u>	<u>\$ 10,567,753</u>	<u>\$ 10,609,622</u>	<u>\$ 4,562,447</u>	<u>\$ 79,253,694</u>	<u>\$ 75,218,750</u>	<u>\$ 8,597,391</u>

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

TWIN LAKES REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Sewer Construction Fund	\$ 4,363,052	\$ 14,074	\$ 226,156	\$ 4,150,970
Sewer Debt Service Reserve 2015	1,983,251	52,602	21,481	2,014,372
Sewer Debt Service Reserve 2011	183,043	82,004	37,730	227,317
Sewer Debt Service Reserve Escrow	-	37,700	-	37,700
Sewer Cash In Drawer	500	-	-	500
Sewer Operation & Maintenance Fund	1,548,213	6,000,316	5,776,159	1,772,370
Sewer Payroll Fund	1,009	734,542	734,725	826
Sewer Petty Cash Fund	2,261	51,252	52,420	1,093
Sewer Petty Cash In Drawer	100	-	-	100
Sewer Capital Improvement Fund	303,364	706,801	66,268	943,897
Sewer Sinking Fund	212,598	2,928,181	2,950,527	190,252
Totals	\$ 8,597,391	\$ 10,607,472	\$ 9,865,466	\$ 9,339,397

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

TWIN LAKES 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 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 statements. 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.

Utility operating expenses. Amounts disbursed for operating the utilities.

TWIN LAKES REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TWIN LAKES REGIONAL SEWER 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 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.

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.

Note 5. Bond Refunding

The District issued bonds in 2015 to refund outstanding bonds and finance two construction projects. The proceeds from the new bonds were receipted into the Sewer Construction Fund and then transferred out to the Sewer Sinking Fund and the debt service reserve funds. Debt service reserve funds for the refunded bonds were also transferred to the Sewer Sinking Fund. As a result, the total receipts and disbursements in 2015 were significantly higher than in 2014 and 2016. If the refunding bond proceeds, payoff of prior bonds, and related transfers are excluded, total receipts and disbursements for 2015 would be \$8,781,753 and \$8,634,704, respectively.

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 statements 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.

(This page intentionally left blank.)

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

	Sewer Construction Fund	Sewer Debt Service Reserve	Sewer Debt Service Reserve 2011	Sewer Cash In Drawer	Sewer Operation & Maintenance Fund	Sewer Payroll Fund
Cash and investments - beginning	\$ 178,450	\$ 1,966,438	\$ -	\$ 500	\$ 321,635	\$ 27,603
Receipts:						
Other receipts	5,000	302	2,155,501	-	5,012,668	683,167
Total receipts	5,000	302	2,155,501	-	5,012,668	683,167
Disbursements:						
Other disbursements	183,450	1,966,740	14	-	4,977,886	702,992
Total disbursements	183,450	1,966,740	14	-	4,977,886	702,992
Excess (deficiency) of receipts over disbursements	(178,450)	(1,966,438)	2,155,487	-	34,782	(19,825)
Cash and investments - ending	\$ -	\$ -	\$ 2,155,487	\$ 500	\$ 356,417	\$ 7,778

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

	Sewer Petty Cash Fund	Sewer Petty Cash In Drawer	Sewer Capital Improvement Fund	Sewer Sinking Fund	Totals
Cash and investments - beginning	\$ 1,587	\$ 100	\$ 255,292	\$ 1,852,711	\$ 4,604,316
Receipts:					
Other receipts	29,067	-	3,632	2,678,416	10,567,753
Total receipts	29,067	-	3,632	2,678,416	10,567,753
Disbursements:					
Other disbursements	27,868	-	122,881	2,627,791	10,609,622
Total disbursements	27,868	-	122,881	2,627,791	10,609,622
Excess (deficiency) of receipts over disbursements	1,199	-	(119,249)	50,625	(41,869)
Cash and investments - ending	<u>\$ 2,786</u>	<u>\$ 100</u>	<u>\$ 136,043</u>	<u>\$ 1,903,336</u>	<u>\$ 4,562,447</u>

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

	Sewer Construction Fund	Sewer Debt Service Reserve 2015	Sewer Debt Service Reserve 2011	Sewer Cash In Drawer	Sewer Operation & Maintenance Fund	Sewer Payroll Fund
Cash and investments - beginning	\$ -	\$ -	\$ 2,155,487	\$ 500	\$ 356,417	\$ 7,778
Receipts:						
Other receipts	33,696,496	6,701,689	316,974	-	6,479,866	701,980
Total receipts	<u>33,696,496</u>	<u>6,701,689</u>	<u>316,974</u>	<u>-</u>	<u>6,479,866</u>	<u>701,980</u>
Disbursements:						
Personal services	-	-	-	-	-	708,749
Utility operating expenses	-	-	-	-	5,288,070	-
Other disbursements	29,333,444	4,718,438	2,289,418	-	-	-
Total disbursements	<u>29,333,444</u>	<u>4,718,438</u>	<u>2,289,418</u>	<u>-</u>	<u>5,288,070</u>	<u>708,749</u>
Excess (deficiency) of receipts over disbursements	<u>4,363,052</u>	<u>1,983,251</u>	<u>(1,972,444)</u>	<u>-</u>	<u>1,191,796</u>	<u>(6,769)</u>
Cash and investments - ending	<u>\$ 4,363,052</u>	<u>\$ 1,983,251</u>	<u>\$ 183,043</u>	<u>\$ 500</u>	<u>\$ 1,548,213</u>	<u>\$ 1,009</u>

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

	Sewer Petty Cash Fund	Sewer Petty Cash In Drawer	Sewer Capital Improvement Fund	Sewer Sinking Fund	Totals
Cash and investments - beginning	\$ 2,786	\$ 100	\$ 136,043	\$ 1,903,336	\$ 4,562,447
Receipts:					
Other receipts	38,001	-	280,738	31,037,950	79,253,694
Total receipts	<u>38,001</u>	<u>-</u>	<u>280,738</u>	<u>31,037,950</u>	<u>79,253,694</u>
Disbursements:					
Personal services	-	-	-	-	708,749
Utility operating expenses	-	-	-	-	5,288,070
Other disbursements	38,526	-	113,417	32,728,688	69,221,931
Total disbursements	<u>38,526</u>	<u>-</u>	<u>113,417</u>	<u>32,728,688</u>	<u>75,218,750</u>
Excess (deficiency) of receipts over disbursements	<u>(525)</u>	<u>-</u>	<u>167,321</u>	<u>(1,690,738)</u>	<u>4,034,944</u>
Cash and investments - ending	<u>\$ 2,261</u>	<u>\$ 100</u>	<u>\$ 303,364</u>	<u>\$ 212,598</u>	<u>\$ 8,597,391</u>

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

	Sewer Construction Fund	Sewer Debt Service Reserve 2015	Sewer Debt Service Reserve 2011	Sewer Debt Service Reserve Escrow	Sewer Cash In Drawer	Sewer Operation & Maintenance Fund
Cash and investments - beginning	\$ 4,363,052	\$ 1,983,251	\$ 183,043	\$ -	\$ 500	\$ 1,548,213
Receipts:						
Other receipts	14,074	52,602	82,004	37,700	-	6,000,316
Total receipts	<u>14,074</u>	<u>52,602</u>	<u>82,004</u>	<u>37,700</u>	<u>-</u>	<u>6,000,316</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	5,776,159
Other disbursements	226,156	21,481	37,730	-	-	-
Total disbursements	<u>226,156</u>	<u>21,481</u>	<u>37,730</u>	<u>-</u>	<u>-</u>	<u>5,776,159</u>
Excess (deficiency) of receipts over disbursements	<u>(212,082)</u>	<u>31,121</u>	<u>44,274</u>	<u>37,700</u>	<u>-</u>	<u>224,157</u>
Cash and investments - ending	<u>\$ 4,150,970</u>	<u>\$ 2,014,372</u>	<u>\$ 227,317</u>	<u>\$ 37,700</u>	<u>\$ 500</u>	<u>\$ 1,772,370</u>

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

	Sewer Payroll Fund	Sewer Petty Cash Fund	Sewer Petty Cash In Drawer	Sewer Capital Improvement Fund	Sewer Sinking Fund	Totals
Cash and investments - beginning	\$ 1,009	\$ 2,261	\$ 100	\$ 303,364	\$ 212,598	\$ 8,597,391
Receipts:						
Other receipts	734,542	51,252	-	706,801	2,928,181	10,607,472
Total receipts	<u>734,542</u>	<u>51,252</u>	<u>-</u>	<u>706,801</u>	<u>2,928,181</u>	<u>10,607,472</u>
Disbursements:						
Personal services	734,725	-	-	-	-	734,725
Utility operating expenses	-	52,420	-	-	-	5,828,579
Other disbursements	-	-	-	66,268	2,950,527	3,302,162
Total disbursements	<u>734,725</u>	<u>52,420</u>	<u>-</u>	<u>66,268</u>	<u>2,950,527</u>	<u>9,865,466</u>
Excess (deficiency) of receipts over disbursements	<u>(183)</u>	<u>(1,168)</u>	<u>-</u>	<u>640,533</u>	<u>(22,346)</u>	<u>742,006</u>
Cash and investments - ending	<u>\$ 826</u>	<u>\$ 1,093</u>	<u>\$ 100</u>	<u>\$ 943,897</u>	<u>\$ 190,252</u>	<u>\$ 9,339,397</u>

TWIN LAKES REGIONAL SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sewer	<u>\$ 1,712</u>	<u>\$ 386,207</u>

TWIN LAKES 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
Sewer:			
Revenue bonds	Phase 4 - Series A - Revenue Bond	\$ 8,573,000	\$ 418,998
Revenue bonds	Phase 4 - Series B - Revenue Bond	63,400	63,400
Revenue bonds	Sewage Works Revenue and Refunding Revenue Bonds of 2015	<u>36,155,000</u>	<u>2,123,794</u>
Totals		<u>\$ 44,791,400</u>	<u>\$ 2,606,192</u>

TWIN LAKES 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.

	<u>Ending Balance</u>
Sewer:	
Land	\$ 231,809
Infrastructure	55,050,229
Buildings	17,038,717
Machinery, equipment, and vehicles	294,735
Construction in progress	<u>463,848</u>
Total capital assets	<u>\$ 73,079,338</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/>.