

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

FINANCIAL STATEMENTS AUDIT REPORT
STEUBEN LAKES REGIONAL WASTE DISTRICT
STEUBEN COUNTY, INDIANA
January 1, 2012 to December 31, 2016



FILED
12/18/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Timothy Frederick	01-01-12 to 12-31-17
Secretary/Treasurer	James Kidd	01-01-11 to 12-31-18
President of the Board of Trustees	Bill Heckley	01-01-12 to 12-31-14
	Jim VanVlerah	01-01-15 to 12-31-15
	George Pifer	01-01-16 to 12-31-16
	Rob Moreland	01-01-17 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE STEUBEN LAKES REGIONAL
WASTE DISTRICT, STEUBEN COUNTY, INDIANA

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Steuben Lakes Regional Waste District (District), as of and for the years ended December 31, 2012, 2013, 2014, 2015, and 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Unmodified Opinions

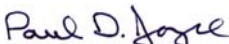
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the District, as of December 31, 2012, 2013, 2014, 2015, and 2016, and the respective changes in financial position and, where applicable, cash flows thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Funding Progress, Schedule of Proportionate Share Net Pension Liability and Related Ratios, and Schedule of Employer Contributions as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.


Paul D. Joyce, CPA
State Examiner

December 18, 2017

BASIC FINANCIAL STATEMENTS AND ACCOMPANYING NOTES

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF NET POSITION
December 31, 2012, 2013, 2014, 2015 And 2016

<u>Assets</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Current assets:					
Cash and cash equivalents	\$ 2,028,753	\$ 680,802	\$ 1,553,738	\$ 656,598	\$ 543,867
Receivables (net of allowances for uncollectable):					
Customer	74,431	81,820	70,726	70,182	84,028
Customer liens	681,925	721,099	260,752	280,141	320,635
Other	<u>28</u>	<u>23,461</u>	<u>2,040</u>	<u>405</u>	<u>28,737</u>
Total current assets	<u>2,785,137</u>	<u>1,507,182</u>	<u>1,887,256</u>	<u>1,007,326</u>	<u>977,267</u>
Noncurrent assets:					
Restricted cash and cash equivalents:					
Improvement cash and cash equivalents	1,399,465	1,429,791	2,127,155	2,932,768	3,599,106
Bond and interest cash and cash equivalents	4,045,522	3,510,166	13,941,012	14,052,418	12,299,609
Customer hook-up deposits cash and cash equivalents	<u>83,546</u>	<u>47,439</u>	<u>50,364</u>	<u>48,564</u>	<u>84,575</u>
Total restricted assets	<u>5,528,533</u>	<u>4,987,396</u>	<u>16,118,531</u>	<u>17,033,750</u>	<u>15,983,290</u>
Net pension assets	95,373	116,734	-	-	-
Capital assets:					
Land, improvements to land and construction in progress	878,334	702,464	713,429	1,160,316	3,103,477
Other capital assets (net of accumulated depreciation)	<u>49,091,345</u>	<u>48,213,388</u>	<u>47,335,856</u>	<u>46,364,260</u>	<u>45,321,738</u>
Total capital assets	<u>49,969,679</u>	<u>48,915,852</u>	<u>48,049,285</u>	<u>47,524,576</u>	<u>48,425,215</u>
Total noncurrent assets	<u>55,593,585</u>	<u>54,019,982</u>	<u>64,167,816</u>	<u>64,558,326</u>	<u>64,408,505</u>
Total assets	<u>58,378,722</u>	<u>55,527,164</u>	<u>66,055,072</u>	<u>65,565,652</u>	<u>65,385,772</u>
Deferred outflows of resources:					
Pension related	<u>-</u>	<u>-</u>	<u>70,563</u>	<u>243,493</u>	<u>262,562</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF NET POSITION
December 31, 2012, 2013, 2014, 2015 And 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Liabilities</u>					
Accounts payable	48,004	50,605	39,814	32,634	63,175
Accrued wages and withholdings payable	13,144	8,929	8,641	9,990	16,026
Unearned revenue	210,374	226,344	257,445	271,313	303,174
Customer hook-up deposits	83,546	47,439	50,364	48,564	84,575
Accrued interest payable	566,408	512,744	435,867	608,062	598,517
Noncurrent liabilities:					
Due within one year:					
Revenue bonds payable	525,000	10,000	925,000	890,000	920,000
Loans payable	56,000	545,000	49,000	51,000	53,000
Due in more than one year:					
Revenue bonds payable (net of premium)	6,215,000	3,545,000	43,297,470	42,367,918	41,408,365
Loans payable	32,432,000	31,887,000	3,091,000	3,040,000	2,987,000
Compensated absences	17,380	17,745	15,273	20,637	22,568
Net pension liability	-	-	380,788	597,902	688,936
Total liabilities	<u>40,166,856</u>	<u>36,850,806</u>	<u>48,550,662</u>	<u>47,938,020</u>	<u>47,145,336</u>
Deferred inflows of resources:					
Pension related	-	-	77,745	59,265	49,138
<u>Net position</u>					
Net investment in capital assets	10,475,083	12,838,127	585,124	627,080	565,110
Restricted for:					
Debt services	4,045,522	3,510,166	13,941,012	14,052,418	12,299,609
Capital outlay	1,399,465	1,429,791	2,127,155	2,932,768	3,599,105
Customer hook-up deposits	83,546	47,439	50,364	48,564	84,575
Unrestricted	<u>2,208,250</u>	<u>850,835</u>	<u>793,573</u>	<u>151,030</u>	<u>1,905,461</u>
Total net position	<u>\$ 18,211,866</u>	<u>\$ 18,676,358</u>	<u>\$ 17,497,228</u>	<u>\$ 17,811,860</u>	<u>\$ 18,453,860</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND OTHER CHANGES IN FUND NET POSITION
As Of And For The Years Ended December 31, 2012, 2013, 2014, 2015 And 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating revenues:					
Residential revenues	\$ 4,407,066	\$ 4,445,186	\$ 4,454,757	\$ 4,449,143	\$ 4,507,574
Nonresidential revenues	103,172	99,807	212,619	289,174	241,716
Customer negligence	13,770	43,219	71,535	68,962	49,753
Wastehauler Revenues	65,294	110,454	105,441	90,719	81,299
Penalties	39,085	41,999	39,248	39,526	40,388
Sludge sales	9,807	6,145	5,552	5,026	6,693
Other revenues	<u>75,556</u>	<u>165,665</u>	<u>125,104</u>	<u>95,540</u>	<u>373,909</u>
Total operating revenues	<u>4,713,750</u>	<u>4,912,475</u>	<u>5,014,256</u>	<u>5,038,090</u>	<u>5,301,332</u>
Operating expenses:					
Collection system	470,217	409,195	445,409	390,641	376,728
Pumping	378,381	315,764	291,132	270,248	200,631
Treatment and disposal	291,666	259,913	330,144	269,719	242,228
Customer accounts	214,516	168,378	195,307	160,027	151,228
Administration and general	563,036	343,307	1,388,094	802,601	780,702
Reclaimed water treatment	109,733	103,696	133,400	110,381	84,040
Depreciation	<u>1,067,223</u>	<u>1,182,916</u>	<u>1,191,854</u>	<u>1,212,748</u>	<u>1,215,304</u>
Total operating expenses	<u>3,094,772</u>	<u>2,783,169</u>	<u>3,975,340</u>	<u>3,216,365</u>	<u>3,050,861</u>
Operating Income	<u>1,618,978</u>	<u>2,129,306</u>	<u>1,038,916</u>	<u>1,821,725</u>	<u>2,250,471</u>
Nonoperating revenues (expenses)					
Interest and investment revenue	16,029	45,685	18,732	26,272	169,154
Gain on sale of assets	-	-	26,000	-	-
Interest expense	(1,712,801)	(1,710,474)	(1,749,376)	(1,572,893)	(1,817,110)
Bond issue costs	(327,571)	-	(513,390)	-	-
Amortization of bond premium	-	-	-	39,553	39,553
Miscellaneous	<u>(123)</u>	<u>(25)</u>	<u>(12)</u>	<u>(25)</u>	<u>(68)</u>
Total nonoperating expenses	<u>(2,024,466)</u>	<u>(1,664,814)</u>	<u>(2,218,046)</u>	<u>(1,507,093)</u>	<u>(1,608,471)</u>
Change in net position	(405,488)	464,492	(1,179,130)	314,632	642,000
Total net position - beginning	<u>18,617,354</u>	<u>18,211,866</u>	<u>18,676,358</u>	<u>17,497,228</u>	<u>17,811,860</u>
Total net position - ending	<u>\$ 18,211,866</u>	<u>\$ 18,676,358</u>	<u>\$ 17,497,228</u>	<u>\$ 17,811,860</u>	<u>\$ 18,453,860</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
STATEMENT OF CASH FLOWS
As Of And For The Years Ended December 31, 2012, 2013, 2014, 2015 And 2016

	2012	2013	2014	2015	2016
Cash flows from operating activities:					
Receipts from operations	\$ 5,244,120	4,917,714	5,587,315	4,860,018	5,286,531
Payments to suppliers, employees and others	<u>(2,137,504)</u>	<u>(1,718,236)</u>	<u>(2,338,505)</u>	<u>(2,252,337)</u>	<u>(1,730,317)</u>
Net cash provided by operating activities	<u>3,106,616</u>	<u>3,199,478</u>	<u>3,248,810</u>	<u>2,607,681</u>	<u>3,556,214</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(125,558)	(129,090)	(325,286)	(241,153)	(2,120,837)
Bond proceeds	-	-	40,667,470	-	-
Bond premium amortization	-	-	-	39,553	39,553
Principal paid on capital debt	(354,000)	(3,241,000)	(29,292,000)	(1,013,552)	(980,553)
Bond issue costs	-	-	(513,390)	-	-
Interest paid on capital debt	(1,720,855)	(1,764,137)	(1,826,253)	(1,400,698)	(1,826,655)
Miscellaneous paid on capital debt	(306)	(25)	(12)	(23)	(67)
Proceeds from sales of capital assets	-	-	26,000	-	-
Net cash used by capital and related financing activities	<u>(2,200,719)</u>	<u>(5,134,252)</u>	<u>8,736,529</u>	<u>(2,615,873)</u>	<u>(4,888,559)</u>
Cash flows from investing activities:					
Interest received	<u>16,209</u>	<u>45,685</u>	<u>18,732</u>	<u>26,272</u>	<u>169,154</u>
Net increase in cash and cash equivalents	922,106	(1,889,089)	12,004,071	18,080	(1,163,191)
Cash and cash equivalents, January 1	<u>6,635,180</u>	<u>7,557,286</u>	<u>5,668,197</u>	<u>17,672,268</u>	<u>17,690,348</u>
Cash and cash equivalents, December 31	<u>\$ 7,557,286</u>	<u>\$ 5,668,197</u>	<u>\$ 17,672,268</u>	<u>\$ 17,690,348</u>	<u>\$ 16,527,157</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	<u>\$ 1,618,978</u>	<u>\$ 2,129,306</u>	<u>\$ 1,038,916</u>	<u>\$ 1,821,725</u>	<u>\$ 2,250,471</u>
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation expense	1,067,223	1,182,916	1,191,853	1,212,748	1,215,304
(Increase) decrease in assets and deferred outflows:					
Net pension assets	(26,552)	(21,360)	116,734	-	-
Deferred outflows - pension related	-	-	(70,563)	(18,480)	(29,196)
Accounts receivable	414,159	(23,434)	471,441	1,635	(13,846)
Other accounts receivable	3,096	(46,563)	21,421	(18,845)	(28,332)
Increase (decrease) in liabilities and deferred inflows:					
Net pension liability	-	-	380,788	(365,565)	65,560
Deferred inflows - pension related	-	-	77,745	(36,956)	(10,127)
Accounts payable	(13,845)	2,601	(10,791)	(7,180)	30,541
Accrued wages and withholdings payable	(3,337)	(4,215)	(288)	1,349	6,036
Deferred revenue	(5,791)	15,970	31,101	13,686	31,861
Compensated absence payable	2,600	364	(2,472)	5,364	1,931
Customer hook-up deposits	<u>50,085</u>	<u>(36,107)</u>	<u>2,925</u>	<u>(1,800)</u>	<u>36,011</u>
Total adjustments	<u>1,487,638</u>	<u>1,070,172</u>	<u>2,209,894</u>	<u>785,956</u>	<u>1,305,743</u>
Net cash provided by operating activities	<u>\$ 3,106,616</u>	<u>\$ 3,199,478</u>	<u>\$ 3,248,810</u>	<u>\$ 2,607,681</u>	<u>\$ 3,556,214</u>

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

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The District (primary government) was created by order of the Stream Pollution Control Board of the State of Indiana as of February 18, 1975, pursuant to Indiana Code (IC) 13-3-2. The Board acted on a petition filed by the Trustee of Jamestown, Pleasant, Milgrove, and Jackson Townships of Steuben County. The District is governed by a Board of Trustees, and provides services for the collection and treatment of sewage for the residents of the District.

The financial statements reflect the activity of the District and the results of its operations and cash flows of its enterprise funds. Generally accepted accounting principles require that the financial statements present the District and its significant component units. There are no significant component units which require inclusion.

B. Fund Financial Statements

Business-type activity financial statements consist of the Statement of Net Position; Statement of Revenues, Expenses, and Other Changes in Fund Net Position; 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 non-operating 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 services and waste haulers fees. Operating disbursements for enterprise funds include the cost of services and administrative costs. All receipts and disbursements not meeting this definition are reported as non-operating 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 Position

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.

STEUBEN LAKES REGIONAL WASTE 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, are classified as restricted assets on the Statement of Net Position because their use is limited by applicable bond indentures or governing body action.

The financial statements report as of December 31, 2012, 2013, 2014, 2015, and 2016 the following restricted assets, all of which are restricted by enabling legislation: \$5,528,533, \$4,987,395, \$16,118,531, \$17,033,750 and \$15,983,289, 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:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 5,000	Straight-line	50 years
Improvements other than buildings	5,000	Straight-line	50 years
Machinery and equipment	5,000	Straight-line	5 to 20 years
Transportation equipment	5,000	Straight-line	5 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. Deferred Inflows/Outflows of Resources

In addition to assets, the Comparative Statement of Net Assets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one type of deferred outflows for pensions resulting from changes in expected and actual experience in the pension plan, change of actuarial assumptions and change in the proportional share of the overall pension plan.

In addition to liabilities, the Comparative Statement of Net Assets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

periods and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of deferred inflow for pensions resulting from changes in expected and actual experience in the pension plan, change of actuarial assumptions and change in the District proportional share of the overall pension plan.

5. Compensated Absences

- a. Sick Leave – District employees earn sick leave at the rate of 2 sick days per year. Unused sick leave may be accumulated to a maximum of 20 days. Accumulated sick leave is not paid to employees upon termination of employment.
- b. Vacation Leave – Full-time or exempt employee will not earn vacation time for the first full year. One week of vacation is earned after one full-time year of service, and, two weeks of vacation is earned after two full-time years of service. Three weeks of vacation is earned after seven years of full-time service, and four weeks of vacation is earned after fifteen years of full-time service. Vacation days may be accumulated up to 20 days after which vacation days will be forfeited if not used. The District reserves the right to cancel vacations due to work needs. Accumulated vacation leave is paid to employees through cash payments upon termination or voluntary end of service. Vacation leave is accrued when incurred.
- c. Personal Leave – District employees earn personal leave at the rate of 2 days per year. Personal leave does not accumulate from year to year.

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs, whether or not withheld from actual debt proceeds received are reported as debt service expenditures.

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 eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The District does not have a deposit policy for custodial credit risk. At December 31, 2012, 2013, 2014, 2015, and 2016 the District had deposit balances in the amounts of \$7,557,286, \$5,668,197, \$17,672,268, \$17,690,348, and \$16,527,157, respectively.

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 years ended December 31, 2012, 2013, 2014, 2015, and 2016 were as follows:

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
2012:				
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 609,688	\$ 2,050	\$ -	\$ 611,738
Construction in progress	6,532,332	52,975	6,318,711	266,596
Total capital assets, not being depreciated	<u>7,142,020</u>	<u>55,025</u>	<u>6,318,711</u>	<u>878,334</u>
Capital assets, being depreciated:				
Buildings	2,141,182	224,206	-	2,365,388
Improvements other than buildings	47,630,706	6,075,836	-	53,706,542
Machinery and equipment	2,260,172	69,200	-	2,329,372
Transportation equipment	329,842	20,005	-	349,847
Totals	<u>52,361,902</u>	<u>6,389,247</u>	<u>-</u>	<u>58,751,149</u>
Less accumulated depreciation for:				
Buildings	(280,202)	(42,826)	-	(323,028)
Improvements other than buildings	(5,935,938)	(952,614)	-	(6,888,552)
Machinery and equipment	(2,178,527)	(26,221)	-	(2,204,748)
Transportation equipment	(197,914)	(45,562)	-	(243,476)
Totals	<u>(8,592,581)</u>	<u>(1,067,223)</u>	<u>-</u>	<u>(9,659,804)</u>
Total capital assets, being depreciated, net	<u>43,769,321</u>	<u>5,322,024</u>	<u>-</u>	<u>49,091,345</u>
Total Wastewater Utility capital assets, net	<u>\$ 50,911,341</u>	<u>\$ 5,377,049</u>	<u>\$ 6,318,711</u>	<u>\$ 49,969,679</u>
2013:				
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	\$ 611,738	\$ -	\$ -	\$ 611,738
Construction in progress	266,596	41,094	216,964	90,726
Total capital assets, not being depreciated	<u>878,334</u>	<u>41,094</u>	<u>216,964</u>	<u>702,464</u>
Capital assets, being depreciated:				
Buildings	2,365,388	1,196	-	2,366,584
Improvements other than buildings	53,706,542	267,832	-	53,974,374
Machinery and equipment	2,329,372	6,974	-	2,336,346
Transportation equipment	349,847	28,957	-	378,804
Totals	<u>58,751,149</u>	<u>304,959</u>	<u>-</u>	<u>59,056,108</u>
Less accumulated depreciation for:				
Buildings	(323,028)	(47,308)	-	(370,336)
Improvements other than buildings	(6,888,552)	(1,074,131)	-	(7,962,683)
Machinery and equipment	(2,204,748)	(31,454)	-	(2,236,202)
Transportation equipment	(243,476)	(30,023)	-	(273,499)
Totals	<u>(9,659,804)</u>	<u>(1,182,916)</u>	<u>-</u>	<u>(10,842,720)</u>
Total capital assets, being depreciated, net	<u>49,091,345</u>	<u>(877,957)</u>	<u>-</u>	<u>48,213,388</u>
Total Wastewater Utility capital assets, net	<u>\$ 49,969,679</u>	<u>\$ (836,863)</u>	<u>\$ 216,964</u>	<u>\$ 48,915,852</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2014:

Wastewater Utility:

Capital assets, not being depreciated:				
Land	\$ 611,738	\$ -	\$ -	\$ 611,738
Construction in progress	<u>90,726</u>	<u>10,965</u>	<u>-</u>	<u>101,691</u>
Total capital assets, not being depreciated	<u>702,464</u>	<u>10,965</u>	<u>-</u>	<u>713,429</u>
Capital assets, being depreciated:				
Buildings	2,366,584	1,600	-	2,368,184
Improvements other than buildings	53,974,374	90,723	-	54,065,097
Machinery and equipment	2,336,346	209,658	-	2,546,004
Transportation equipment	<u>378,804</u>	<u>12,341</u>	<u>-</u>	<u>391,145</u>
Totals	<u>59,056,108</u>	<u>314,322</u>	<u>-</u>	<u>59,370,430</u>
Less accumulated depreciation for:				
Buildings	(370,336)	(47,332)	-	(417,668)
Improvements other than buildings	(7,962,683)	(1,079,486)	-	(9,042,169)
Machinery and equipment	(2,236,202)	(29,220)	-	(2,265,422)
Transportation equipment	<u>(273,499)</u>	<u>(35,816)</u>	<u>-</u>	<u>(309,315)</u>
Totals	<u>(10,842,720)</u>	<u>(1,191,854)</u>	<u>-</u>	<u>(12,034,574)</u>
Total capital assets, being depreciated, net	<u>48,213,388</u>	<u>(877,532)</u>	<u>-</u>	<u>47,335,856</u>
Total Wastewater Utility capital assets, net	<u>\$ 48,915,852</u>	<u>\$ (866,567)</u>	<u>\$ -</u>	<u>\$ 48,049,285</u>

2015:

Wastewater Utility:

Capital assets, not being depreciated:				
Land	\$ 611,738	\$ -	\$ -	\$ 611,738
Construction in progress	<u>101,691</u>	<u>446,887</u>	<u>-</u>	<u>548,578</u>
Total capital assets, not being depreciated	<u>713,429</u>	<u>446,887</u>	<u>-</u>	<u>1,160,316</u>
Capital assets, being depreciated:				
Buildings	2,368,184	7,694	-	2,375,878
Improvements other than buildings	54,065,097	65,317	-	54,130,414
Machinery and equipment	2,546,004	139,190	-	2,685,194
Transportation equipment	<u>391,145</u>	<u>28,951</u>	<u>-</u>	<u>420,096</u>
Totals	<u>59,370,430</u>	<u>241,152</u>	<u>-</u>	<u>59,611,582</u>
Less accumulated depreciation for:				
Buildings	(417,668)	(47,363)	-	(465,031)
Improvements other than buildings	(9,042,169)	(1,079,270)	-	(10,121,439)
Machinery and equipment	(2,265,422)	(47,833)	-	(2,313,255)
Transportation equipment	<u>(309,315)</u>	<u>(38,282)</u>	<u>-</u>	<u>(347,597)</u>
Totals	<u>(12,034,574)</u>	<u>(1,212,748)</u>	<u>-</u>	<u>(13,247,322)</u>
Total capital assets, being depreciated, net	<u>47,335,856</u>	<u>(971,596)</u>	<u>-</u>	<u>46,364,260</u>
Total Wastewater Utility capital assets, net	<u>\$ 48,049,285</u>	<u>\$ (524,709)</u>	<u>\$ -</u>	<u>\$ 47,524,576</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2016:

Wastewater Utility:

Capital assets, not being depreciated:				
Land	\$ 611,738	\$ -	\$ -	\$ 611,738
Construction in progress	<u>548,578</u>	<u>1,943,161</u>	<u>-</u>	<u>2,491,739</u>
 Total capital assets, not being depreciated	 <u>1,160,316</u>	 <u>1,943,161</u>	 <u>-</u>	 <u>3,103,477</u>
 Capital assets, being depreciated:				
Buildings	2,375,878	4,554	-	2,380,432
Improvements other than buildings	54,130,414	15,829	-	54,146,243
Machinery and equipment	2,685,194	82,734	-	2,767,928
Transportation equipment	<u>420,096</u>	<u>69,665</u>	<u>-</u>	<u>489,761</u>
 Totals	 <u>59,611,582</u>	 <u>172,782</u>	 <u>-</u>	 <u>59,784,364</u>
 Less accumulated depreciation for:				
Buildings	(465,031)	(47,518)	-	(512,549)
Improvements other than buildings	(10,121,439)	(1,082,608)	-	(11,204,047)
Machinery and equipment	(2,313,255)	(56,850)	-	(2,370,105)
Transportation equipment	<u>(347,597)</u>	<u>(28,328)</u>	<u>-</u>	<u>(375,925)</u>
 Totals	 <u>(13,247,322)</u>	 <u>(1,215,304)</u>	 <u>-</u>	 <u>(14,462,626)</u>
 Total capital assets, being depreciated, net	 <u>46,364,260</u>	 <u>(1,042,522)</u>	 <u>-</u>	 <u>45,321,738</u>
 Total Wastewater Utility capital assets, net	 <u>\$ 47,524,576</u>	 <u>\$ 900,639</u>	 <u>\$ -</u>	 <u>\$ 48,425,215</u>

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

Wastewater	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total depreciation expense	<u>\$ 1,067,223</u>	<u>\$ 1,182,916</u>	<u>\$ 1,191,854</u>	<u>\$ 1,212,748</u>	<u>\$ 1,215,304</u>

C. Construction Commitments

Construction work in progress is composed of the following:

Project	2012		
	Authorized	Expended to December 31,	Committed
Wastewater Utility:			
Orland	\$ 216,964	\$ 216,964	\$ -
Northeast Corner PER & Environmental Report	<u>391,028</u>	<u>49,632</u>	<u>341,396</u>
 Total	 <u>\$ 607,992</u>	 <u>\$ 266,596</u>	 <u>\$ 341,396</u>
Project	2013		
	Authorized	Expended to December 31,	Committed
Wastewater Utility:			
Northeast Corner PER & Environmental Report	\$ 391,028	\$ 60,011	\$ 331,017
Lake Pleasant	<u>157,550</u>	<u>30,715</u>	<u>126,835</u>
 Total	 <u>\$ 548,578</u>	 <u>\$ 90,726</u>	 <u>\$ 457,852</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Project	2014		
	Authorized	Expended to December 31,	Committed
Wastewater Utility:			
Northeast Corner PER & Environmental Report	\$ 391,028	\$ 69,326	\$ 321,702
Lake Pleasant	157,550	32,365	125,185
Total	\$ 548,578	\$ 101,691	\$ 446,887

Project	2015		
	Authorized	Expended to December 31,	Committed
Wastewater Utility:			
Northeast Corner PER & Environmental Report	\$ 391,028	\$ 391,028	\$ -
Lake Pleasant	157,550	157,550	-
Total	\$ 548,578	\$ 548,578	\$ -

Project	2016		
	Authorized	Expended to December 31,	Committed
Wastewater Utility:			
Miscellaneous Improvements	\$ 2,491,739	\$ 2,491,739	\$ -

D. Long-Term Liabilities

1. Revenue Bonds

The District issue bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at December 31, 2016 are as follows:

Purpose	Interest Rates	Balance at December 31	Unamortized Premium	Amount
2012				
Sewage Works Revenue Bonds of 2003	4.25% to 5.25%	\$ 3,115,000	\$ -	\$ 3,115,000
Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	3,625,000	-	3,625,000
Totals		\$ 6,740,000	\$ -	\$ 6,740,000
2013				
Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	\$ 3,555,000	\$ -	\$ 3,555,000
2014				
Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	\$ 3,545,000	\$ -	\$ 3,545,000
Sewage Works Revenue Bonds of 2014	3.00% to 5.00%	39,570,000	1,107,470	40,677,470
Totals		\$ 43,115,000	\$ 1,107,470	\$ 44,222,470
2015				
Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	\$ 3,535,000	\$ -	\$ 3,535,000
Sewage Works Revenue Bonds of 2014	3.00% to 5.00%	38,655,000	1,067,918	39,722,918
Totals		\$ 42,190,000	\$ 1,067,918	\$ 43,257,918

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2016

Sewage Works Revenue Bonds of 2010	2.00% to 5.375%	\$ 3,525,000	\$ -	\$ 3,525,000
Sewage Works Revenue Bonds of 2014	3.00% to 5.00%	<u>37,775,000</u>	<u>1,028,365</u>	<u>38,803,365</u>
Totals		<u>\$ 41,300,000</u>	<u>\$ 1,028,365</u>	<u>\$ 42,328,365</u>

Revenue bonds debt service requirements to maturity are as follows:

	Wastewater Utility	
	Principal	Interest
2012		
2013	\$ 525,000	\$ 336,851
2014	485,000	313,205
2015	515,000	289,344
2016	540,000	263,264
2017	570,000	235,264
2018-2022	3,325,000	695,741
2023-2027	780,000	31,578
2028-2032	-	-
2033-2037	-	-
2038-2042	-	-
Totals	<u>\$ 6,740,000</u>	<u>\$ 2,165,247</u>
2013		
2014	\$ 10,000	\$ 183,670
2015	10,000	183,219
2016	10,000	182,769
2017	10,000	182,319
2018	10,000	181,869
2019-2023	3,505,000	522,086
2024-2028	-	-
2029-2033	-	-
2034-2038	-	-
2039-2043	-	-
Totals	<u>\$ 3,555,000</u>	<u>\$ 1,435,932</u>
2014		
2015	\$ 925,000	\$ 1,463,413
2016	890,000	1,709,363
2017	920,000	1,682,288
2018	945,000	1,654,313
2019	980,000	1,622,331
2020-2024	5,605,000	7,396,569
2025-2029	6,855,000	6,143,766
2030-2034	8,340,000	4,661,200
2035-2039	10,370,000	2,632,200
2040-2044	<u>7,285,000</u>	<u>518,300</u>
Totals	<u>\$ 43,115,000</u>	<u>\$ 29,483,743</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2015

2016	\$ 890,000	\$ 1,709,363
2017	920,000	1,682,288
2018	945,000	1,654,313
2019	980,000	1,622,331
2020	1,020,000	1,578,881
2021-2025	5,865,000	7,135,081
2026-2030	7,110,000	5,892,828
2031-2035	8,715,000	4,282,044
2036-2040	10,795,000	2,213,200
2041-2045	<u>4,950,000</u>	<u>250,000</u>
Totals	<u>\$ 42,190,000</u>	<u>\$ 28,020,329</u>

2016

2017	\$ 920,000	\$ 1,682,288
2018	945,000	1,654,313
2019	980,000	1,622,331
2020	1,020,000	1,578,881
2021	1,070,000	1,531,463
2022-2026	6,115,000	6,881,903
2027-2031	7,380,000	5,624,813
2032-2036	9,115,000	3,881,875
2037-2041	11,230,000	1,777,100
2042-2046	<u>2,525,000</u>	<u>76,000</u>
Totals	<u>\$ 41,300,000</u>	<u>\$ 26,310,967</u>

2. Loans Payable

The District has entered into a loan. Annual debt service requirements to maturity for the loan is as follows:

	<u>Principal</u>	<u>Interest</u>
2012		
2013	\$ 56,000	\$ 1,355,976
2014	545,000	1,348,803
2015	567,000	1,325,788
2016	591,000	1,301,806
2017	616,000	1,276,799
2018-2022	3,495,000	5,970,391
2023-2027	4,295,000	5,165,994
2028-2032	5,285,000	4,176,426
2033-2037	6,503,000	2,958,058
2038-2042	8,003,000	1,458,071
2043-2047	2,377,000	149,659
2048-2052	<u>155,000</u>	<u>4,078</u>
Totals	<u>\$ 32,488,000</u>	<u>\$ 26,491,849</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

2013

2014	\$ 545,000	\$ 1,348,803
2015	567,000	1,325,788
2016	591,000	1,301,806
2017	616,000	1,276,799
2018	642,000	1,250,765
2019-2023	3,642,000	5,822,534
2024-2028	4,477,000	4,984,176
2029-2033	5,509,000	3,952,569
2034-2038	6,779,000	2,682,518
2039-2043	8,342,000	1,118,820
2044-2048	<u>722,000</u>	<u>71,295</u>
Totals	<u>\$ 32,432,000</u>	<u>\$ 25,135,873</u>

2014

2015	\$ 49,000	\$ 109,480
2016	51,000	107,748
2017	53,000	105,945
2018	55,000	104,073
2019	57,000	102,130
2020-2024	315,000	479,063
2025-2029	373,000	419,598
2030-2034	444,000	348,880
2035-2039	528,000	264,705
2040-2044	628,000	164,798
2045-2049	<u>587,000</u>	<u>47,198</u>
Totals	<u>\$ 3,140,000</u>	<u>\$ 2,253,618</u>

2015

2016	\$ 51,000	\$ 107,748
2017	53,000	105,945
2018	55,000	104,073
2019	57,000	102,130
2020	59,000	100,118
2021-2025	325,000	467,950
2026-2030	387,000	406,420
2031-2035	460,000	333,200
2036-2040	546,000	246,068
2041-2045	650,000	142,625
2046-2050	<u>448,000</u>	<u>27,860</u>
Totals	<u>\$ 3,091,000</u>	<u>\$ 2,144,137</u>

2016

2017	\$ 53,000	\$ 105,945
2018	55,000	104,073
2019	57,000	102,130
2020	59,000	100,118
2021	61,000	98,035
2022-2026	336,000	456,470
2027-2031	400,000	392,770
2032-2036	477,000	316,943
2037-2041	565,000	226,800
2042-2046	673,000	119,683
2047-2051	<u>304,000</u>	<u>13,423</u>
Totals	<u>\$ 3,040,000</u>	<u>\$ 2,036,390</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2012, 2013, 2014, 2015, and 2016, are as follows:

Type of Liability	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2012					
Revenue bonds payable	\$ 7,040,000	\$ -	\$ 300,000	\$ 6,740,000	\$ 525,000
Loans payable	32,542,000	-	54,000	32,488,000	56,000
Total long-term liabilities	<u>\$ 39,582,000</u>	<u>\$ -</u>	<u>\$ 354,000</u>	<u>\$ 39,228,000</u>	<u>\$ 581,000</u>
2013					
Revenue bonds payable	\$ 6,740,000	\$ -	\$ 3,185,000	\$ 3,555,000	\$ 10,000
Loans payable	32,488,000	-	56,000	32,432,000	545,000
Total long-term liabilities	<u>\$ 39,228,000</u>	<u>\$ -</u>	<u>\$ 3,241,000</u>	<u>\$ 35,987,000</u>	<u>\$ 555,000</u>
2014					
Revenue bonds payable	\$ 3,555,000	\$ 39,570,000	\$ 10,000	\$ 43,115,000	\$ 925,000
Loans Payable	32,432,000	-	29,292,000	3,140,000	49,000
Total long-term liabilities	<u>\$ 35,987,000</u>	<u>\$ 39,570,000</u>	<u>\$ 29,302,000</u>	<u>\$ 46,255,000</u>	<u>\$ 974,000</u>
2015					
Revenue bonds payable	\$ 43,115,000	\$ -	\$ 925,000	\$ 42,190,000	\$ 890,000
Loans Payable	3,140,000	-	49,000	3,091,000	51,000
Total long-term liabilities	<u>\$ 46,255,000</u>	<u>\$ -</u>	<u>\$ 974,000</u>	<u>\$ 45,281,000</u>	<u>\$ 941,000</u>
2016					
Revenue bonds payable	\$ 42,190,000	\$ -	\$ 890,000	\$ 41,300,000	\$ 920,000
Loans Payable	3,091,000	-	51,000	3,040,000	53,000
Total long-term liabilities	<u>\$ 45,281,000</u>	<u>\$ -</u>	<u>\$ 941,000</u>	<u>\$ 44,340,000</u>	<u>\$ 973,000</u>

E. Restricted Assets

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

	2012	2013	2014	2015	2016
Bond and interest payment account	\$ 4,045,522	\$ 3,510,166	\$ 13,941,012	\$ 14,052,418	\$ 12,299,609
Improvement account	1,399,465	1,429,791	2,127,155	2,932,768	3,599,106
Customer hook-up deposits account	83,546	47,439	50,364	48,564	84,575
Total restricted assets	<u>\$ 5,528,533</u>	<u>\$ 4,987,396</u>	<u>\$ 16,118,531</u>	<u>\$ 17,033,750</u>	<u>\$ 15,983,290</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Revenues Pledged

District Revenues Pledged

The District has pledged future operating revenues, net of specified operating expenditures, to repay the remaining \$44,340,000 of revenue bonds and loans issued at various times. All bonds are payable solely from operating net revenues and are payable through 2048.

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 and safety; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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 five years. There were no significant reductions in insurance by major category of risk.

These risks are covered by commercial insurance from independent third parties. The District is covered by EMC Insurance Companies for General Liability, Automobile, Property, Data, Inland Marine, and Commercial Umbrella; Indiana Public Employers' Plan for Worker's Compensation & Employers Liability underwritten by Downey Public Risk Underwriters; and The Cincinnati Insurance Company for Employee Theft with all of these administered by ISU Croxton & Roe Insurance Services, Angola Indiana.

Job Related Illnesses or Injuries to Employees

The District joined together with other governmental entities in the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of insurance costs related to job related illnesses or injuries to employees. The District pays an annual premium to the risk pool for its share of the costs of coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure

The District had the following rate ordinances in effect during the audit period: Ordinance 2002-03, 2008-01, 2008-12, 2009-03, 2013-03, 2015-02, 2015-05, and 2016-01. For the years ended December 31, 2012, 2013, 2014, 2015 and 2016, the District had the following number of customers respectively: 4984, 4998, 5007, 4982, and 5109.

C. Pension Plan

The District contributes to the Indiana Public Employees' Retirement Fund (PERF). On July 1, 2013, PERF changed from an agent multiple-employer to a cost-sharing multiple-employer retirement plan. Therefore PERF information will be reported as an agent multiple-employer plan for the audit years 2012 and 2013 and as a cost-sharing multiple-employer plan for 2014 to 2016.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

1. Agent Multiple-Employer Defined Benefit Pension Plan

Plan Description

PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the 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 member's contributions, set by state statute at three 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. The report is available online at <http://www.inprs.in.gov> or may be obtained by contacting:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

PERF members are required to contribute 3 percent of their annual covered salary. The District is required to contribute at an actuarially determined rate; the rate for 2012 and 2013 is 8 and 9.5 percent of annual covered payroll. The contribution requirements of the plan members and the District are established and may be amended by the Board of Trustees of INPRS.

Annual Pension Cost

For 2012 and 2013, the District's annual pension cost of \$22,976 and \$34,421 for PERF was equal to the District's required and actual contributions.

Actuarial Information for the Above Plan

	PERF	
	2012	2013
Annual required contribution	\$ 22,247	\$ 33,365
Interest on net pension obligation	(4,817)	(6,438)
Adjustment to annual required contribution	5,546	7,494
Annual pension cost	22,976	34,421
Contributions made	49,528	55,782
Decrease in net pension obligation	(26,552)	(21,361)
Net pension obligation, beginning of year	(68,821)	(95,373)
Net pension obligation, end of year	\$ (95,373)	\$ (116,734)

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

	PERF	
	2012	2013
Contribution rates:		
Government	8%	9.5%
Plan Members	3%	3%
Actuarial valuation date	07-01-12	07-01-13
Actuarial cost method	Entry age normal cost	Entry age normal cost
Amortization method	Level dollar, closed amortization period	Level dollar, closed amortization period
Amortization period	30 years	30 years
Amortization period (from date)	07-01-12	07-01-13
Asset valuation method	4 year smoothing of gains/losses on market value with a 20% corridor	4 year smoothing of gains/losses on market value with a 20% corridor

Actuarial Assumptions	PERF	
	2012	2013
Investment rate of return	6.75%	6.75%
Projected future salary increases:		
Total	3.25% to 4.5%	3.25% to 4.5%
Attributed to inflation	2.25% to 3.5%	3%
Attributed to merit/seniority	1%	.25% to 1.5%
Cost-of-living adjustments	1%	1%

Three Year Trend Information

Year Ending	Annual Pension Cost (APC)	Employer Contribution	Percentage of APC Contributed	Net Pension Obligation
06-30-11	\$ 21,293	\$ 48,423	227%	\$ (68,821)
06-30-12	22,976	49,528	216%	(95,373)
06-30-13	34,421	55,782	162%	(116,734)

Funded Status and Funding Progress for the Above Plan

The funded status of the plan as of June 30, 2012 and 2013 is as follows:

Retirement Plan	Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
PERF	06-30-12	308,564	460,589	(152,025)	67%	655,605	23%
PERF	06-30-13	393,879	486,869	(92,990)	81%	619,144	15%

2. Cost Sharing Multiple-Employer Defined Benefit Pension Plan

Plan Description

The District contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is part of the Indiana Public Retirement System (INPRS) and is a cost sharing multiple-employer public employee retirement system, which provides retirement, disability, and survivor benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (35 IAC 21-1-1, 35 IAC21-1-2 and

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

IC 5-10.2-2-11 and 5-10.3) govern through the INPRS Board, most requirements of the system and give the primary government 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 member's contributions, set by state statute at three 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. The report is available online at <http://www.inprs.in.gov> or may be obtained by contacting:

Indiana Public Retirement System
1 North Capitol Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Benefits Provided

The PERF retirement benefit consists of the sum of a defined pension benefit provided by District contributions plus the amount credited to the member's annuity savings account. Pension benefits vest after 10 years of creditable service. Members are immediately vested in their annuity savings account. At retirement, a member may choose to receive a lump sum payment of the amount credited to the member's annuity savings account, receive the amount as an annuity, or leave the contributions invested with INPRS.

A member who has reached age 65 and has at least 10 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit component. This annual pension benefit is equal to 1.1 percent times the average annual compensation times the number of years of creditable service. The average annual compensation in this calculation uses the highest 20 calendar quarters of salary in a covered position.

A member who has reached age 60 and has at least 15 years of creditable service is eligible for normal retirement and is entitled to 100 percent of the pension benefit. A member who is at least 55 years old and whose age plus number of years of creditable service is at least 85 is entitled to 100 percent of the pension benefit.

A member who has reached age 50 and has at least 15 years of creditable service is eligible for early retirement with reduced pension benefits. A member retiring early receives a percentage of the normal pension benefit, which remains the same for the member's lifetime.

The PERF plan also provides disability benefits to members. A member who has at least 5 years of creditable service and becomes disabled while in active service, on FMLA leave, receiving workers' compensation benefits, or receiving employer provided disability insurance benefits may retire for the duration of the disability if they have qualified for social security disability benefits and furnish proof of the qualification. The disability benefit is calculated the same as that for a normal retirement without reduction for early retirement. Also, under certain circumstances, upon the death in service of a member, a survivor benefit may be paid to a surviving spouse or surviving dependent children under the age of 18.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The monthly pension benefits for members in pay status may be increased periodically as cost of living adjustments (COLA), however, such increases are not guaranteed by statute and have historically been provided on an “ad hoc” basis. These increases can only be granted by the Indiana General Assembly.

Contributions

The contribution requirements of the plan members and the District are established and may be amended by the INPRS Board of Trustees. The required contributions are based on actuarial investigation and valuation in accordance with IC 5-10.2. The funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to fund the pension benefits when they become due. PERF members are required to contribute 3 percent of their annual covered salary. For 2014, 2015, and 2016 the District was required to contribute an actuarially determined rate of 11.2 percent of annual covered payroll. The District's contribution to the plan for the year ending December 31, 2014, 2015, and 2016 was \$72,519, 78,957, and 80,028; respectively.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2016 and 2015 valuation of the Public Employee's Pension Fund were adopted by the INPRS Board in April, 2015. The total pension liability in the June 30, 2016 and 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	2.5% to 4.25%
Cost-of-living increases	1.00%

Mortality rates were based on the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Tables projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.

The actuarial assumptions used are based on plan experience from July 1, 2010 through June 30, 2014 and were first used in the June 30, 2015 valuation. The actuarial cost method used for computing the total pension liability is the Entry Age Normal - Level Percent of Payroll method.

The actuarial assumptions and methods are used in the June, 30, 2016 valuation of the Public Employees' Retirement Fund resulted in the following assumption changes:

- The inflation assumption changed from 3% to 2.25% per year.
- The future salary increase assumption changed from a range of 3.25% to 4.5% to a range of 2.5% to 4.25%.
- The mortality assumption changed from the 2013 IRS Static Mortality projected five years with Scale AA to the RP-2014 (with MP-2014 improvement removed) Total Data Set Mortality Table projected on a fully generational basis using the future mortality improvement scale inherent in the mortality projection included in the Social Security Administration's 2014 Trustee Report.
- The retirement, termination, and disability assumptions were updated based on recent experience.
- The ASA annuitization assumption was updated from 50% of members assumed to annuitize their ASA balance to 60% of members assumed to annuitize their ASA balance prior to January 1, 2017.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

The long term return expectation for the INPRS defined benefit retirement plans has been determined by using a building block approach and assumes a time horizon, as defined in the INPRS Investment Policy Statement. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

	2014	
	Long Term Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	22.5	6.0
Private Equity	10.0	7.7
Fixed Income - Ex Inflation Linked	22.0	2.1
Fixed Income - Inflation Linked	10.0	0.5
Commodities	8.0	2.5
Real Estate	7.5	3.9
Absolute Return	10.0	1.8
Risk Parity	10.0	4.3
Total	100.0	

	2015	
	Long Term Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	22.5	5.3
Private Equity	10.0	5.6
Fixed Income - Ex Inflation Linked	22.0	2.1
Fixed Income - Inflation Linked	10.0	0.7
Commodities	8.0	2.0
Real Estate	7.5	3.0
Absolute Return	10.0	3.9
Risk Parity	10.0	5.0
Total	100.0	

	2016	
	Long Term Target Allocation (%)	Long Term Expected Real Rate of Return (%)
Public Equity	22.0	5.7
Private Equity	10.0	6.2
Fixed Income - Ex Inflation Linked	24.0	2.7
Fixed Income - Inflation Linked	7.0	0.7
Commodities	8.0	2.0
Real Estate	7.0	2.7
Absolute Return	10.0	4.0
Risk Parity	12.0	5.0
Total	100.0	

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed the contributions from employers would be, at a minimum, made at the actuarially determined required rates computed in accordance with the current funding policy adopted by the INPRS Board. Projected inflows from investment earnings were calculated using the long term assumed investment rate of 6.75%. Based on those assumptions, each defined benefit pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability for each plan.

Sensitivity of the District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following represents the net pension liability of the District calculated using the discount rate of 6.75%, as well as what their respected net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75 percent) or 1-percentage point higher (7.75 percent) than the current rate:

2014					
	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%		
Unit's proportionate share of net pension liability	\$ 611,295	\$ 380,788	\$ 185,489		
2015					
	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%		
Unit's proportionate share of net pension liability	\$ 881,957	\$ 597,902	\$ 362,085		
2016					
	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%		
Unit's proportionate share of net pension liability	\$ 989,475	\$ 688,936	\$ 439,142		

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of December 31, 2014, 2015, and 2016 the District reported a liability of \$380,788, \$597,902, and \$688,936 for their proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, June 30, 2015, and June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportionate share of the net pension liability was based on wages reported by employers relative to the collective wages of the plan. At June 30, 2014, 2015, and 2016, the District's portion was .00145, .01468, and .01518 percent.

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

For the year ended June 30, 2014, 2015, and 2016 the District recognized pension expense of \$43,968, \$104,691, and \$141,884. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2014	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ -	\$ 1,709
Net difference between projected and actual Investment earnings on pension plan investments	-	74,004
Change in assumptions	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	32,233	2,032
Employer contributions subsequent to the measurement date	38,330	-
	<u>\$ 70,563</u>	<u>\$ 77,745</u>

	2015	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 25,665	\$ 1,237
Net difference between projected and actual Investment earnings on pension plan investments	100,814	56,230
Change in assumptions	50,543	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,243	1,828
Employer contributions subsequent to the measurement date	39,228	-
	<u>\$ 243,493</u>	<u>\$ 59,295</u>

	2016	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 15,435	\$ 1,272
Net difference between projected and actual Investment earnings on pension plan investments	151,529	38,764
Change in assumptions	30,396	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,388	9,102
Employer contributions subsequent to the measurement date	37,814	-
	<u>\$ 262,562</u>	<u>\$ 49,138</u>

STEUBEN LAKES REGIONAL WASTE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

\$37,814 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of their net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2014

Year Ended June 30:

2015	\$	(10,359)
2016		(10,359)
2017		(10,359)
2018		(14,435)
2019		-
Thereafter		-

2015

Year Ended June 30:

2016	\$	48,090
2017		48,090
2018		23,585
2019		25,205
2020		-
Thereafter		-

2016

Year Ended June 30:

2017	\$	68,926
2018		43,766
2019		44,581
2020		18,337
2021		-
Thereafter		-

Pension Plan Fiduciary Net Position

The pension plan's fiduciary net position has been determined on the same basis of accounting used by the pension plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued INPRS financial report, which is available online at <http://www.inprs.in.gov> or may be obtained by contacting:

Indiana Public Retirement System
 1 North Capitol Street, Suite 001
 Indianapolis, IN 46204
 Ph. (888) 526-1687

STEUBEN LAKES REGIONAL WASTE DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Benefit Payment Policies

Pension, disability, special death benefits, and distributions of contributions and interest are recognized when due and payable to members or beneficiaries. Benefits are paid once the retirement or survivor applications have been processed and approved. Distributions of contributions and interest are distributions from inactive, non-vested members' annuity savings accounts. These distributions may be requested by members or automatically distributed by the fund when certain criteria are met.

Valuation of Pension Plan Investments

The pooled and non-pooled investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Short-term investments consist primarily of cash, money market funds, certificates of deposits and fixed income instruments with maturities of less than one year. Short-term investments are reported at cost, which approximates fair value or, for fixed income instruments, valued using similar methodologies as other fixed income securities described below.

Fixed income securities consist primarily of the U.S. government, U.S. government-sponsored agencies, publicly traded debt and commingled investment debt instruments. Equity securities consist primarily of domestic and international stocks in addition to commingled equity instruments. Fixed income and equity securities are generally valued based on published market prices and quotations from national security exchanges and securities pricing services. Securities that are not traded on a national security exchange are valued using modeling techniques that included market observable inputs required to develop a fair value. Commingled funds are valued using the net asset value (NAV) of the entity.

Alternative investments include limited partnership interests in private equity, absolute return, private real estate and risk parity investment strategies. Publicly traded alternative investments are valued based on quoted market prices. In the absence of readily determinable public market values, alternative investments are valued using current estimates of fair value obtained from the general partner or investment manager on a quarterly or semi-annual basis. Valuation assumptions are based upon the nature of the investment and the underlying business. Additionally, valuation techniques will vary by investment type and involve a certain degree of expert judgment. Alternative investments, such as investments in private equity or real estate, are generally considered to be illiquid long-term investments. Due to the inherent uncertainty that exists in the valuation of alternative investments, the realized value upon the sale of an asset may differ from the fair value.

Derivative instruments are marked to market daily with changes in fair value recognized as part of investments and investment income.

D. Subsequent Events

On October 12, 2017, the Board approved the Sewer Rate Ordinance No. 2017-08.

On November 19, 2017, the Board approved the refunding of the Steuben Lakes Regional Waste District Sewage Works Revenue Bonds of 2010 with an outstanding amount of \$3,515,000; with the new bond principle not to exceed \$3,855,000.

REQUIRED SUPPLEMENTARY INFORMATION

The subsequent schedules were provided by management of the District. The schedules are presented as intended by the District.

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STEUBEN LAKES REGIONAL WASTE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

PERF						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
June 30, 2013	393,879	486,869	(92,990)	81%	619,144	15%
June 30, 2012	308,564	460,589	(152,025)	67%	655,605	23%
June 30, 2011	295,167	257,698	37,469	100%	637,549	6%

STEUBEN LAKES REGIONAL WASTE DISTRICT
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE NET PENSION LIABILITIES AND RELATED RATIOS
 Last 10 years*

<u>Year Ended**</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Actual Covered Member Payroll</u>	<u>Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>
June 30, 2016	0.01518%	\$ 688,936	\$ 727,586	94.69%
June 30, 2015	0.01468%	597,902	703,290	85.02%
June 30, 2014	0.00145%	380,788	707,281	53.84%

Notes to Schedule:

* Information presented for the years information is available.

** The data provided in the schedule is based on the measurement date of INPRS (PERF) net pension liability.

STEUBEN LAKES REGIONAL WASTE DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
Last 10 years*

<u>Year Ended**</u>	<u>Contribution Percentage</u>	<u>Employer Contributions</u>	<u>Member Payroll</u>	<u>Percentage of Covered Payroll</u>
June 30, 2016	11.20%	\$ 81,490	\$ 727,586	11.20%
June 30, 2015	11.20%	\$ 78,059	\$ 703,290	11.10%
June 30, 2014	11.20%	72,519	707,281	10.25%

Notes to Schedule:

*Information presented for the years information is available

**The data provided in the schedule is based as of the measurement date of INPRS (PERF)
net pension liability

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/>.