

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

FINANCIAL STATEMENTS EXAMINATION REPORT
OF

LAGRANGE COUNTY REGIONAL
UTILITY DISTRICT
LAGRANGE COUNTY, INDIANA

January 1, 2014 to December 31, 2016



FILED
12/21/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Administrative Manager	Heidi Sisco (Vacant)	01-01-14 to 07-13-16 07-14-16 to 08-08-16
District Administrator	Jeanette Combs	08-09-16 to 12-31-17
Treasurer	Robert Jarolim Dennis Davis	01-01-14 to 03-27-14 03-28-14 to 12-31-17
President of the Board	Ronald Kantorak Patrick Wilshire	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 LAGRANGE COUNTY REGIONAL
UTILITY DISTRICT, LAGRANGE COUNTY, INDIANA

We have examined the accompanying financial statements of the LaGrange County Regional Utility 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.

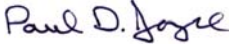
As discussed in Note 1 to the financial statements, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is 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 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 21, 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.

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Rainy Day	\$ 1,678	\$ 2,500	\$ -	\$ 4,178	\$ -	\$ -	\$ 4,178
Capital Improvement	52,860	1,085,110	653,643	484,327	197,620	164,201	517,746
Bond and Interest	738,895	11,142,265	11,651,864	229,296	2,090,926	2,080,821	239,401
Debt Service Reserve	1,164,576	878,260	1,073,141	969,695	24	26,237	943,482
Sewer Operation and Maintenance	1,438,622	2,852,602	3,371,278	919,946	2,936,534	2,836,848	1,019,632
Water Operation and Maintenance	36,388	51,191	49,676	37,903	81,740	58,636	61,007
Water Capital Improvement	-	17,500	-	17,500	23,146	15,808	24,838
Totals	<u>\$ 3,433,019</u>	<u>\$ 16,029,428</u>	<u>\$ 16,799,602</u>	<u>\$ 2,662,845</u>	<u>\$ 5,329,990</u>	<u>\$ 5,182,551</u>	<u>\$ 2,810,284</u>

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

LAGRANGE COUNTY REGIONAL UTILITY 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
Rainy Day	\$ 4,178	\$ 232	\$ -	\$ 4,410
Capital Improvement	517,746	297,020	207,940	606,826
Bond and Interest	239,401	5,613,263	5,786,550	66,114
Debt Service Reserve	943,482	-	57,791	885,691
Sewer Operation and Maintenance	1,019,632	3,053,859	2,853,786	1,219,705
Water Operation and Maintenance	61,007	95,285	78,607	77,685
Water Capital Improvement	24,838	17,600	17,835	24,603
Totals	<u>\$ 2,810,284</u>	<u>\$ 9,077,259</u>	<u>\$ 9,002,509</u>	<u>\$ 2,885,034</u>

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

LAGRANGE COUNTY REGIONAL UTILITY 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:

Charges for services. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable TV receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Utility fees. 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.

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

Utility operating expenses. Amounts disbursed for operating the utilities.

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.

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(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. Risk Management

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 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

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. Subsequent Event

The state awarded the District \$4,195,000 from the Drinking Water Revolving Loan Program (the "Drinking Water SRF Program") on February 21, 2017. The purpose of this award DW 17034401 was to fund the Travel Plaza #7 Drinking Water Connection Project.

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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.

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LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	Rainy Day	Capital Improvement	Bond and Interest	Debt Service Reserve	Sewer Operation and Maintenance	Water Operation and Maintenance	Water Capital Improvement	Totals
Cash and investments - beginning	\$ 1,678	\$ 52,860	\$ 738,895	\$ 1,164,576	\$ 1,438,622	\$ 36,388	\$ -	\$ 3,433,019
Receipts:								
Charges for services	-	-	-	-	2,740,493	-	-	2,740,493
Utility fees	-	-	-	-	-	50,619	-	50,619
Penalties	-	-	-	-	36,019	572	-	36,591
Other receipts	2,500	1,085,110	11,142,265	878,260	76,090	-	17,500	13,201,725
Total receipts	2,500	1,085,110	11,142,265	878,260	2,852,602	51,191	17,500	16,029,428
Disbursements:								
Personal services	-	-	-	-	598,143	4,485	-	602,628
Supplies	-	-	-	-	208,901	-	-	208,901
Other services and charges	-	-	-	-	752,444	364	-	752,808
Debt service - principal and interest	-	-	1,624,688	-	-	-	-	1,624,688
Capital outlay	-	128,643	-	-	-	-	-	128,643
Utility operating expenses	-	-	-	-	-	27,327	-	27,327
Other disbursements	-	525,000	10,027,176	1,073,141	1,811,790	17,500	-	13,454,607
Total disbursements	-	653,643	11,651,864	1,073,141	3,371,278	49,676	-	16,799,602
Excess (deficiency) of receipts over disbursements	2,500	431,467	(509,599)	(194,881)	(518,676)	1,515	17,500	(770,174)
Cash and investments - ending	\$ 4,178	\$ 484,327	\$ 229,296	\$ 969,695	\$ 919,946	\$ 37,903	\$ 17,500	\$ 2,662,845

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Rainy Day	Capital Improvement	Bond and Interest	Debt Service Reserve	Sewer Operation and Maintenance	Water Operation and Maintenance	Water Capital Improvement	Totals
Cash and investments - beginning	\$ 4,178	\$ 484,327	\$ 229,296	\$ 969,695	\$ 919,946	\$ 37,903	\$ 17,500	\$ 2,662,845
Receipts:								
Charges for services	-	-	-	-	2,799,728	-	-	2,799,728
Utility fees	-	-	-	-	-	25,426	-	25,426
Penalties	-	-	-	-	34,973	479	-	35,452
Other receipts	-	197,620	2,090,926	24	101,833	55,835	23,146	2,469,384
Total receipts	-	197,620	2,090,926	24	2,936,534	81,740	23,146	5,329,990
Disbursements:								
Personal services	-	-	-	-	610,810	4,598	-	615,408
Supplies	-	-	-	-	216,680	-	-	216,680
Other services and charges	-	-	-	-	683,440	305	-	683,745
Debt service - principal and interest	-	-	1,063,418	-	-	-	-	1,063,418
Capital outlay	-	164,201	-	-	-	-	363	164,564
Utility operating expenses	-	-	-	-	-	27,568	15,445	43,013
Other disbursements	-	-	1,017,403	26,237	1,325,918	26,165	-	2,395,723
Total disbursements	-	164,201	2,080,821	26,237	2,836,848	58,636	15,808	5,182,551
Excess (deficiency) of receipts over disbursements	-	33,419	10,105	(26,213)	99,686	23,104	7,338	147,439
Cash and investments - ending	\$ 4,178	\$ 517,746	\$ 239,401	\$ 943,482	\$ 1,019,632	\$ 61,007	\$ 24,838	\$ 2,810,284

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Rainy Day	Capital Improvement	Bond and Interest	Debt Service Reserve	Sewer Operation and Maintenance	Water Operation and Maintenance	Water Capital Improvement	Totals
Cash and investments - beginning	\$ 4,178	\$ 517,746	\$ 239,401	\$ 943,482	\$ 1,019,632	\$ 61,007	\$ 24,838	\$ 2,810,284
Receipts:								
Charges for services	232	-	-	-	2,943,008	-	-	2,943,240
Utility fees	-	-	-	-	-	37,679	-	37,679
Penalties	-	-	-	-	34,333	437	-	34,770
Other receipts	-	297,020	5,613,263	-	76,518	57,169	17,600	6,061,570
Total receipts	232	297,020	5,613,263	-	3,053,859	95,285	17,600	9,077,259
Disbursements:								
Personal services	-	-	-	-	616,555	12,771	-	629,326
Supplies	-	-	-	-	168,671	-	-	168,671
Other services and charges	-	3,598	-	-	731,370	6,855	-	741,823
Debt service - principal and interest	-	-	1,199,450	-	-	-	-	1,199,450
Capital outlay	-	204,342	-	-	-	-	17,800	222,142
Utility operating expenses	-	-	-	-	-	41,381	35	41,416
Other disbursements	-	-	4,587,100	57,791	1,337,190	17,600	-	5,999,681
Total disbursements	-	207,940	5,786,550	57,791	2,853,786	78,607	17,835	9,002,509
Excess (deficiency) of receipts over disbursements	232	89,080	(173,287)	(57,791)	200,073	16,678	(235)	74,750
Cash and investments - ending	\$ 4,410	\$ 606,826	\$ 66,114	\$ 885,691	\$ 1,219,705	\$ 77,685	\$ 24,603	\$ 2,885,034

LAGRANGE COUNTY REGIONAL UTILITY DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Regional Sewer District:			
Revenue bonds	Region A 2016 Refunding Revenue Bonds	\$ 4,490,000	\$ 243,100
Revenue bonds	Region B and Region F 2014 Refunding Revenue Bonds	9,040,000	670,476
Revenue bonds	Region D 2015 Refunding Revenue Bonds	925,000	71,147
Revenue bonds	Shipshewana West 2012 Revenue Bonds	<u>1,618,000</u>	<u>82,263</u>
	Total revenue bonds	<u>16,073,000</u>	<u>1,066,986</u>
Totals		<u>\$ 16,073,000</u>	<u>\$ 1,066,986</u>

LAGRANGE COUNTY REGIONAL UTILITY 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
Regional Sewer District:	
Land	\$ 348,598
Infrastructure	27,100,617
Buildings	5,295,230
Improvements other than buildings	2,108,320
Machinery, equipment, and vehicles	776,537
Books and other	<u>169,259</u>
Total governmental activities	<u>35,798,561</u>
Regional Water District:	
Infrastructure	68,814
Improvements other than buildings	17,820
Machinery, equipment, and vehicles	<u>342</u>
Total Regional Water District	<u>86,976</u>
Total capital assets	<u>\$ 35,536,939</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/>.