

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LAKE OF THE WOODS REGIONAL SEWER DISTRICT

MARSHALL COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
03/01/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jonathon G. Oswald	01-01-13 to 12-31-18
President of the Board	Kevin Hines	01-01-13 to 12-31-13
	William Reed	01-01-14 to 12-31-17
	Kevin Hines	01-01-18 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKE OF THE WOODS REGIONAL
SEWER DISTRICT, MARSHALL COUNTY, INDIANA

We have examined the accompanying financial statements of the Lake of the Woods Regional Sewer District (District), for the period of January 1, 2013 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.

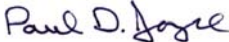
As discussed in Note 1 to the financial statements, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is 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, 2013 to December 31, 2016, referred to above, do not present fairly, 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, 2013 to December 31, 2016, referred to above, present fairly 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

January 16, 2018

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.

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
Lake of the Woods Regional Sewer District Petty Cash	\$ -	\$ 164	\$ 30	\$ 134	\$ 260	\$ 194	\$ 200
Lake of the Woods Regional Sewer District Capital Improvement Fund	326,000	-	-	326,000	-	-	326,000
Lake of the Woods Regional Sewer District Cash Operation and Maintenance	359,535	295,318	296,032	358,821	256,869	108,338	507,352
Totals	<u>\$ 685,535</u>	<u>\$ 295,482</u>	<u>\$ 296,062</u>	<u>\$ 684,955</u>	<u>\$ 257,129</u>	<u>\$ 108,532</u>	<u>\$ 833,552</u>

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

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

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Lake of the Woods Regional Sewer District Petty Cash	\$ 200	\$ 145	\$ 209	\$ 136	\$ 175	\$ 208	\$ 103
Lake of the Woods Regional Sewer District Capital Improvement Fund	326,000	450,000	-	776,000	100,000	-	876,000
Lake of the Woods Regional Sewer District Cash Operation and Maintenance	<u>507,352</u>	<u>249,379</u>	<u>573,235</u>	<u>183,496</u>	<u>247,753</u>	<u>215,284</u>	<u>215,965</u>
Totals	<u>\$ 833,552</u>	<u>\$ 699,524</u>	<u>\$ 573,444</u>	<u>\$ 959,632</u>	<u>\$ 347,928</u>	<u>\$ 215,492</u>	<u>\$ 1,092,068</u>

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

LAKE OF THE WOODS 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:

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.

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.

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Note 2. Budgets

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

Note 3. 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.

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 4. Risk Management

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

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

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

	Lake of the Woods Regional Sewer District Petty Cash	Lake of the Woods Regional Sewer District Capital Improvement Fund	Lake of the Woods Regional Sewer District Cash Operation and Maintenance	Totals
Cash and investments - beginning	\$ -	\$ 326,000	\$ 359,535	\$ 685,535
Receipts:				
Utility fees	-	-	265,523	265,523
Other receipts	164	-	29,795	29,959
Total receipts	164	-	295,318	295,482
Disbursements:				
Personal services	-	-	33,239	33,239
Other services and charges	-	-	6,662	6,662
Debt service - principal and interest	-	-	186,543	186,543
Capital outlay	-	-	14,804	14,804
Utility operating expenses	30	-	54,006	54,036
Other disbursements	-	-	778	778
Total disbursements	30	-	296,032	296,062
Excess (deficiency) of receipts over disbursements	134	-	(714)	(580)
Cash and investments - ending	\$ 134	\$ 326,000	\$ 358,821	\$ 684,955

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

	Lake of the Woods Regional Sewer District Petty Cash	Lake of the Woods Regional Sewer District Capital Improvement Fund	Lake of the Woods Regional Sewer District Cash Operation and Maintenance	Totals
Cash and investments - beginning	\$ 134	\$ 326,000	\$ 358,821	\$ 684,955
Receipts:				
Utility fees	-	-	238,960	238,960
Other receipts	260	-	17,909	18,169
Total receipts	260	-	256,869	257,129
Disbursements:				
Personal services	-	-	31,613	31,613
Other services and charges	-	-	5,790	5,790
Capital outlay	-	-	21,235	21,235
Utility operating expenses	194	-	46,476	46,670
Other disbursements	-	-	3,224	3,224
Total disbursements	194	-	108,338	108,532
Excess (deficiency) of receipts over disbursements	66	-	148,531	148,597
Cash and investments - ending	\$ 200	\$ 326,000	\$ 507,352	\$ 833,552

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

	Lake of the Woods Regional Sewer District Petty Cash	Lake of the Woods Regional Sewer District Capital Improvement Fund	Lake of the Woods Regional Sewer District Cash Operation and Maintenance	Totals
Cash and investments - beginning	\$ 200	\$ 326,000	\$ 507,352	\$ 833,552
Receipts:				
Utility fees	-	-	244,295	244,295
Penalties	-	-	4,206	4,206
Other receipts	145	450,000	878	451,023
Total receipts	145	450,000	249,379	699,524
Disbursements:				
Personal services	-	-	32,824	32,824
Other services and charges	-	-	5,708	5,708
Capital outlay	-	-	22,501	22,501
Utility operating expenses	209	-	62,057	62,266
Other disbursements	-	-	450,145	450,145
Total disbursements	209	-	573,235	573,444
Excess (deficiency) of receipts over disbursements	(64)	450,000	(323,856)	126,080
Cash and investments - ending	\$ 136	\$ 776,000	\$ 183,496	\$ 959,632

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

	Lake of the Woods Regional Sewer District Petty Cash	Lake of the Woods Regional Sewer District Capital Improvement Fund	Lake of the Woods Regional Sewer District Cash Operation and Maintenance	Totals
Cash and investments - beginning	\$ 136	\$ 776,000	\$ 183,496	\$ 959,632
Receipts:				
Utility fees	-	-	238,137	238,137
Penalties	-	-	3,304	3,304
Other receipts	175	100,000	6,312	106,487
Total receipts	175	100,000	247,753	347,928
Disbursements:				
Personal services	-	-	32,824	32,824
Other services and charges	-	-	6,580	6,580
Debt service - principal and interest	-	-	1,772	1,772
Capital outlay	-	-	11,225	11,225
Utility operating expenses	208	-	56,387	56,595
Other disbursements	-	-	106,496	106,496
Total disbursements	208	-	215,284	215,492
Excess (deficiency) of receipts over disbursements	(33)	100,000	32,469	132,436
Cash and investments - ending	\$ 103	\$ 876,000	\$ 215,965	\$ 1,092,068

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

Government or Enterprise	Accounts Payable	Accounts Receivable
Lake Of The Woods Regional Sewer District	\$ 1,055	\$ -
Governmental activities	-	-
Totals	\$ 1,055	\$ -

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Lake Of The Woods Regional Sewer District:				
Bassette Copier	Photocopy Machine Lease	\$ 295	1/26/2015	1/26/2016
Pitney Bowes Global	Postage Machine Lease	<u>1,038</u>	1/5/2015	1/5/2016
Total Lake Of The Woods Regional Sewer District		<u>1,333</u>		
Total of annual lease payments		<u><u>\$ 1,333</u></u>		

LAKE OF THE WOODS REGIONAL SEWER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Lake Of The Woods Regional Sewer District:	
Land	\$ 221,158
Infrastructure	4,647,346
Buildings	147,145
Improvements other than buildings	-
Machinery, equipment, and vehicles	<u>272,441</u>
Total Lake Of The Woods Regional Sewer District	<u>5,288,090</u>
Total capital assets	<u>\$ 5,288,090</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/>.