

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LUCE TOWNSHIP REGIONAL SEWER DISTRICT

SPENCER COUNTY, INDIANA

January 1, 2013 to December 31, 2016



FILED
03/15/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Chad E. Bailey	01-01-13 to 07-05-13
	Eleisha Shelton	07-06-13 to 12-31-18
Treasurer	Pam Helms	01-01-13 to 01-21-14
	(Vacant)	01-22-14 to 03-11-15
	Larry Blair	03-12-15 to 03-09-16
	Beth Packer	03-10-16 to 12-31-18
President of the Board	John C. Wood	01-01-13 to 04-30-13
	Edward J. Ingram	05-01-13 to 12-31-14
	Tom Yoder	01-01-15 to 01-13-16
	Jay Kempf	01-14-16 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LUCE TOWNSHIP REGIONAL
SEWER DISTRICT, SPENCER COUNTY, INDIANA

We have examined the accompanying financial statements of the Luce Township 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, 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 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 30, 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.

LUCE TOWNSHIP 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
Sewage Operation & Maintenance	\$ 85,510	\$ 639,392	\$ 549,240	\$ 175,662	\$ 605,734	\$ 459,200	\$ 322,196
Sewage Debt Service Reserve	228,628	-	32,323	196,305	-	-	196,305
Sewage Bond and Interest	113,452	105,975	89,199	130,228	199,720	182,442	147,506
Sewage Construction Fund	26,346	-	26,346	-	-	-	-
Sewage SRF Forgivable BAN Account	3,702,000	-	-	3,702,000	-	3,702,000	-
Sewage Improvement Fund	-	110,388	14,207	96,181	-	-	96,181
Totals	<u>\$ 4,155,936</u>	<u>\$ 855,755</u>	<u>\$ 711,315</u>	<u>\$ 4,300,376</u>	<u>\$ 805,454</u>	<u>\$ 4,343,642</u>	<u>\$ 762,188</u>

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

LUCE TOWNSHIP 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
Sewage Operation & Maintenance	\$ 322,196	\$ 594,438	\$ 463,144	\$ 453,490	\$ 561,515	\$ 584,286	\$ 430,719
Sewage Debt Service Reserve	196,305	-	-	196,305	337	-	196,642
Sewage Bond and Interest	147,506	196,043	178,986	164,563	196,372	179,161	181,774
Sewage Improvement Fund	96,181	-	-	96,181	-	-	96,181
Totals	\$ 762,188	\$ 790,481	\$ 642,130	\$ 910,539	\$ 758,224	\$ 763,447	\$ 905,316

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

LUCÉ TOWNSHIP 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:

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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.

LUCE TOWNSHIP REGIONAL SEWER 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.

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. 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.

LUCÉ TOWNSHIP 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 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.

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.

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

	Sewage Operation & Maintenance	Sewage Debt Service Reserve	Sewage Bond and Interest	Sewage Construction Fund	Sewage SRF Forgivable BAN Account	Sewage Improvement Fund	Totals
Cash and investments - beginning	\$ 85,510	\$ 228,628	\$ 113,452	\$ 26,346	\$ 3,702,000	\$ -	\$ 4,155,936
Receipts:							
Utility fees	481,320	-	-	-	-	-	481,320
Penalties	6,330	-	-	-	-	-	6,330
Other receipts	151,742	-	105,975	-	-	110,388	368,105
Total receipts	639,392	-	105,975	-	-	110,388	855,755
Disbursements:							
Personal services	61,936	-	-	-	-	-	61,936
Other services and charges	9,508	-	-	-	-	-	9,508
Debt service - principal and interest	-	-	89,199	-	-	-	89,199
Capital outlay	-	-	-	26,346	-	-	26,346
Utility operating expenses	170,378	-	-	-	-	14,207	184,585
Other disbursements	307,418	32,323	-	-	-	-	339,741
Total disbursements	549,240	32,323	89,199	26,346	-	14,207	711,315
Excess (deficiency) of receipts over disbursements	90,152	(32,323)	16,776	(26,346)	-	96,181	144,440
Cash and investments - ending	\$ 175,662	\$ 196,305	\$ 130,228	\$ -	\$ 3,702,000	\$ 96,181	\$ 4,300,376

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

	Sewage Operation & Maintenance	Sewage Debt Service Reserve	Sewage Bond and Interest	Sewage Construction Fund	Sewage SRF Forgivable BAN Account	Sewage Improvement Fund	Totals
Cash and investments - beginning	\$ 175,662	\$ 196,305	\$ 130,228	\$ -	\$ 3,702,000	\$ 96,181	\$ 4,300,376
Receipts:							
Intergovernmental receipts	225,000	-	-	-	-	-	225,000
Utility fees	352,571	-	-	-	-	-	352,571
Penalties	10,481	-	-	-	-	-	10,481
Other receipts	17,682	-	199,720	-	-	-	217,402
Total receipts	605,734	-	199,720	-	-	-	805,454
Disbursements:							
Personal services	44,633	-	-	-	-	-	44,633
Other services and charges	15,632	-	-	-	-	-	15,632
Utility operating expenses	69,601	-	-	-	-	-	69,601
Other disbursements	329,334	-	182,442	-	3,702,000	-	4,213,776
Total disbursements	459,200	-	182,442	-	3,702,000	-	4,343,642
Excess (deficiency) of receipts over disbursements	146,534	-	17,278	-	(3,702,000)	-	(3,538,188)
Cash and investments - ending	\$ 322,196	\$ 196,305	\$ 147,506	\$ -	\$ -	\$ 96,181	\$ 762,188

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

	Sewage Operation & Maintenance	Sewage Debt Service Reserve	Sewage Bond and Interest	Sewage Improvement Fund	Totals
Cash and investments - beginning	\$ 322,196	\$ 196,305	\$ 147,506	\$ 96,181	\$ 762,188
Receipts:					
Intergovernmental receipts	150,000	-	-	-	150,000
Utility fees	401,396	-	-	-	401,396
Other receipts	43,042	-	196,043	-	239,085
Total receipts	<u>594,438</u>	<u>-</u>	<u>196,043</u>	<u>-</u>	<u>790,481</u>
Disbursements:					
Personal services	64,231	-	-	-	64,231
Other services and charges	11,220	-	-	-	11,220
Utility operating expenses	96,649	-	-	-	96,649
Other disbursements	291,044	-	178,986	-	470,030
Total disbursements	<u>463,144</u>	<u>-</u>	<u>178,986</u>	<u>-</u>	<u>642,130</u>
Excess of receipts over disbursements	<u>131,294</u>	<u>-</u>	<u>17,057</u>	<u>-</u>	<u>148,351</u>
Cash and investments - ending	<u>\$ 453,490</u>	<u>\$ 196,305</u>	<u>\$ 164,563</u>	<u>\$ 96,181</u>	<u>\$ 910,539</u>

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

	Sewage Operation & Maintenance	Sewage Debt Service Reserve	Sewage Bond and Interest	Sewage Improvement Fund	Totals
Cash and investments - beginning	\$ 453,490	\$ 196,305	\$ 164,563	\$ 96,181	\$ 910,539
Receipts:					
Intergovernmental receipts	150,000	-	-	-	150,000
Utility fees	395,729	-	-	-	395,729
Penalties	11,660	-	-	-	11,660
Other receipts	4,126	337	196,372	-	200,835
Total receipts	<u>561,515</u>	<u>337</u>	<u>196,372</u>	<u>-</u>	<u>758,224</u>
Disbursements:					
Personal services	65,947	-	-	-	65,947
Other services and charges	17,275	-	-	-	17,275
Debt service - principal and interest	-	-	179,161	-	179,161
Utility operating expenses	229,814	-	-	-	229,814
Other disbursements	271,250	-	-	-	271,250
Total disbursements	<u>584,286</u>	<u>-</u>	<u>179,161</u>	<u>-</u>	<u>763,447</u>
Excess (deficiency) of receipts over disbursements	<u>(22,771)</u>	<u>337</u>	<u>17,211</u>	<u>-</u>	<u>(5,223)</u>
Cash and investments - ending	<u>\$ 430,719</u>	<u>\$ 196,642</u>	<u>\$ 181,774</u>	<u>\$ 96,181</u>	<u>\$ 905,316</u>

LUCE TOWNSHIP REGIONAL SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sewage	<u>\$ -</u>	<u>\$ 137,234</u>

LUCE TOWNSHIP REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Sewage: Revenue bonds	Sewage Works Revenue Bonds of 2010	<u>\$ 1,675,063</u>	<u>\$ 178,886</u>

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LUCE TOWNSHIP REGIONAL SEWER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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

	<u>Ending Balance</u>
Sewage:	
Infrastructure	\$ 9,355,846
Buildings	56,567
Improvements other than buildings	24,000
Machinery, equipment, and vehicles	<u>5,664,261</u>
Total capital assets	<u>\$ 15,100,674</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/>.