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January 10, 2019


Board of Trustees  
Twin Lakes Regional Sewer District  
921 W Executive Court  
Monticello, IN 47960

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Twin Lakes Regional Sewer District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Twin Lakes Regional Sewer District as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

In addition to the report presented herein, a Supplemental Report for Twin Lakes Regional Sewer District was prepared in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

  
Paul D. Joyce, CPA  
State Examiner

**TWIN LAKES REGIONAL SEWER DISTRICT**  
White County, Indiana

**FINANCIAL STATEMENTS**  
December 31, 2017

TWIN LAKES REGIONAL SEWER DISTRICT  
White County, Indiana

FINANCIAL STATEMENTS  
December 31, 2017

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TWIN LAKES REGIONAL SEWER DISTRICT  
SCHEDULE OF OFFICIALS (Unaudited)  
December 31, 2017

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Michael Darter	01-01-17 to 12-31-17
Office and Financial Manager	Jacqueline Franklin	01-01-17 to 12-31-17
Treasurer	Otto R. Leis	01-01-17 to 12-31-17
President of the Board of Trustees	Lynn Wilson	01-01-17 to 12-31-17

## INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance  
Twin Lakes Regional Sewer District  
Monticello, Indiana

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Twin Lakes Regional Sewer District (the Unit) as of and for the year ended December 31, 2017, and the related notes (the financial statements).

***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6) as described in Note 1. Management is also responsible for 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 entity'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 entity'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.

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(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 to the financial statements, the Unit 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 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 the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Unit as of December 31, 2017, or changes in net position or cash flows thereof for the year then ended.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the Unit as of December 31, 2017, and its cash receipts and disbursements for the year then ended in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Officials and Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

  
Crowe LLP

Indianapolis, Indiana  
December 21, 2018

TWIN LAKES REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
REGULATORY BASIS  
For The Year Ended December 31, 2017

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	Cash and Investments	Receipts	Disbursements	Cash and Investments
	<u>01-01-17</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>12-31-17</u>
Fund				
Sewer Construction Fund	\$ 4,150,970	\$ 495,800	\$ 4,646,770	\$ -
Sewer Debt Service Reserve	2,279,389	45,950	-	2,325,339
Sewer Cash In Drawer	500	-	-	500
Sewer Operation & Maintenance Fund	1,772,371	5,985,092	7,137,240	620,223
Sewer Payroll Fund	827	727,187	727,394	620
Sewer Petty Cash Fund	1,092	60,141	59,357	1,876
Sewer Petty Cash In Drawer	100	-	-	100
Sewer Capital Improvement Fund	943,897	1,847,373	556,838	2,234,432
Sewer Sinking Fund	<u>190,252</u>	<u>2,568,927</u>	<u>2,546,133</u>	<u>213,046</u>
Totals	<u>\$ 9,339,398</u>	<u>\$ 11,730,470</u>	<u>\$ 15,673,732</u>	<u>\$ 5,396,136</u>

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See accompanying notes to financial statements.

TWIN LAKES REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The Twin Lakes Regional Sewer District (the Unit) was established under the laws of the State of Indiana. The Unit operates under an appointed governing board.

The accompanying financial statement presents the financial information for the Unit.

Basis of Accounting: The financial statement is 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 (GAAP), 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. The regulatory basis also allows for all investments to be state at cost, while GAAP requires fair value for qualifying investments.

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.

Receipts: Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Other receipts.* Amounts received from various sources which can include, but are 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.

Disbursements: Disbursements are presented in the aggregate on the face of the financial statement. 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 disbursements.* Amounts disbursed for various purposes including, but not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, lease agreements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

Interfund Transfers: The Unit 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.

Fund Accounting: Separate funds are established, maintained, and reported by the Unit. 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 Unit. 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 Unit 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.

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(Continued)

**NOTE 2 - BUDGETS**

The operating budget is 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 (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Unit 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. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant.

The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable. The Unit did not hold investments for any of the years under audit.

**NOTE 4 - RISK MANAGEMENT**

The Unit may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions 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 Unit to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

The Unit has purchased insurance to address the risks described above.

**NOTE 5 - PENSION PLAN**

*A. Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. 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 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 Unit 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.

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(Continued)

TWIN LAKES REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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**NOTE 5 - PENSION PLAN** (Continued)

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  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS. The Unit made contributions to the PERF plan during the year under audit. The contribution rate was 11.2% for the year under audit.

**NOTE 6 - DEBT**

In 2011, the Unit issued the 2011 Phase IV Revenue Bond, Series A in the amount of \$9,000,000 for the purpose of a wastewater collection construction project. The bond matures on July 1, 2051. The Unit made principal and interest payments during the year under audit.

In 2011, the Unit issued the 2011 Phase IV Revenue Bond, Series B in the amount of \$67,000 for the purpose of a wastewater collection construction project. The bond matures on July 1, 2051. The Unit made principal and interest payments during the year under audit.

In 2015, the Unit issued the Sewage Works Revenue and Refunding Revenue Bonds of 2015 in the amount of \$37,130,000 for the purpose of the construction of the Idaville sanitary sewer and Snow Ditch wastewater treatment plant improvements. The bonds matures on July 1, 2044. The Unit made principal and interest payments during the year under audit.

**SUPPLEMENTAL SCHEDULES (Unaudited)**

TWIN LAKES REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2017

	Sewer Construction Fund	Sewer Debt Service Reserve	Sewer Cash In Drawer	Sewer Operation & Maintenance Fund	Sewer Payroll Fund	Sewer Petty Cash Fund	Sewer Petty Cash In Drawer	Sewer Capital Improvement Fund	Sewer Sinking Fund	Totals
Cash and investments - beginning	\$ 4,150,970	\$ 2,279,389	\$ 500	\$ 1,772,371	\$ 827	\$ 1,092	\$ 100	\$ 943,897	\$ 190,252	\$ 9,339,398
Receipts:										
Other receipts	495,800	45,950	-	5,985,092	727,187	60,141	-	1,847,373	2,568,927	11,730,470
Total receipts	495,800	45,950	-	5,985,092	727,187	60,141	-	1,847,373	2,568,927	11,730,470
Disbursements:										
Personal services	-	-	-	-	727,394	-	-	-	-	727,394
Other disbursements	4,646,770	-	-	7,137,240	-	59,357	-	556,838	2,546,133	14,946,338
Total disbursements	4,646,770	-	-	7,137,240	727,394	59,357	-	556,838	2,546,133	15,673,732
Excess (deficiency) of receipts over disbursements	(4,150,970)	45,950	-	(1,152,148)	(207)	784	-	1,290,535	22,794	(3,943,262)
Cash and investments - ending	\$ -	\$ 2,325,339	\$ 500	\$ 620,223	\$ 620	\$ 1,876	\$ 100	\$ 2,234,432	\$ 213,046	\$ 5,396,136

TWIN LAKES REGIONAL SEWER DISTRICT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2017

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<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sewer	\$ 79,474	\$ 378,338
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u>\$ 79,474</u>	<u>\$ 378,338</u>

TWIN LAKES REGIONAL SEWER DISTRICT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2017

<u>Type</u>	<u>Description of Debt</u> <u>Purpose</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Sewer:			
Revenue bonds	22100.61 - Big Monon Bay - Series A/B - Revenue Bond	\$ -	\$ -
Revenue bonds	22100.62 - 2006 Snow Ditch Revenue Bond	-	-
Revenue bonds	22100.63 - Idaville - Series A/B - Revenue Bond	-	-
Revenue bonds	22100.64 - Phase I - Revenue Bond	-	-
Revenue bonds	22100.65 - Phase II - Revenue Bond	-	-
Revenue bonds	22210.61 - Phase 3 - Series A - Revenue Bond	-	-
Revenue bonds	22220.61 - Phase 3 - Series C - Revenue Bond	-	-
Revenue bonds	22230.61 - Phase 3 - Series D - Revenue Bond	-	-
Revenue bonds	22240.61 - Phase 3 - Series B - Revenue Bond	-	-
Revenue bonds	22280.61 - Phase 4 - Series A - Revenue Bond	8,314,000	418,998
Revenue bonds	22290.61 - Phase 4 - Series B - Revenue Bond	<u>614,000</u>	<u>3,114</u>
Total Sewer		<u>8,928,000</u>	<u>422,112</u>
Totals		<u>\$ 8,928,000</u>	<u>\$ 422,112</u>

TWIN LAKES REGIONAL SEWER DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2017

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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>
Governmental activities:	
Total governmental activities	\$ <u>          -</u>
Sewer:	
Land	231,809
Infrastructure	55,050,229
Buildings	17,139,334
Machinery, equipment and vehicles	294,735
Construction in progress	<u>5,110,619</u>
Total Sewer	<u>77,826,726</u>
Total capital assets	<u>\$ 77,826,726</u>

TWIN LAKES REGIONAL SEWER DISTRICT  
OTHER REPORT  
December 31, 2017

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The reports presented herein were prepared in addition to another official report prepared for the Unit as listed below:

Indiana State Board of Accounts Compliance Examination of Twin Lakes Regional Sewer District

The above report contains the results of the compliance examination as required by the Indiana State Board of Accounts' *Accounting and Uniform Compliance Guidelines Manual For Special Districts*.