

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

FINANCIAL STATEMENTS REVIEW REPORT

OF

LAKE GEORGE REGIONAL SEWER DISTRICT

STEBEN COUNTY, INDIANA

January 1, 2015 to December 31, 2018



**FILED**  
11/15/2019



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	James C. Humbarger Cory Armstrong	01-01-15 to 04-19-19 04-20-19 to 12-31-19
Treasurer	John S. Bender II (Vacant) Jon Finkbeiner	01-01-15 to 06-12-18 06-13-18 to 07-09-18 07-10-18 to 12-31-18
President of the Board of Trustees	Greg Didier Bob Shirey	01-01-15 to 12-31-17 01-01-18 to 12-31-19



## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

TO: THE OFFICIALS OF THE LAKE GEORGE REGIONAL  
SEWER DISTRICT, STEUBEN COUNTY, INDIANA

We have reviewed the accompanying financial statements of the Lake George Regional Sewer District (District), for the period of January 1, 2015 to December 31, 2018. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the District's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with a regulatory 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. This includes determining that the basis of accounting the District uses is an acceptable basis for the preparation of the financial statements in the circumstances. 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 misstatements whether due to fraud or error.

### ***Accountant's Responsibility***

Our responsibility is to conduct the review engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the prescribed basis of accounting described in Note 1. We believe that the results of our procedures provide a reasonable basis for our conclusion.

INDEPENDENT ACCOUNTANT'S REVIEW REPORT  
(Continued)

**Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the prescribed basis of accounting described in Note 1.

**Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with 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. Our conclusion is not modified with respect to this matter.

*Paul D. Joyce*  
Paul D. Joyce, CPA  
State Examiner

October 23, 2019

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

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Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15	Receipts	Disbursements	Cash and Investments 12-31-16
Sewer Bond & Interest	\$ 161,700	\$ 280,966	\$ 442,666	\$ -	\$ -	\$ -	\$ -
Sewer Improvement Fund	92,224	436,091	92,823	435,492	141,261	97,901	478,852
Sewer Operating	2,108	248,000	245,784	4,324	241,584	226,680	19,228
Sewer Operating & Maint Reserve	27,447	13,584	21,031	20,000	12,000	-	32,000
Sewer Reserve Bond Fund	324,663	4	324,667	-	-	-	-
Sewer Revenue Lock Box	1,001	541,508	541,508	1,001	327,275	297,090	31,186
<b>Totals</b>	<u>\$ 609,143</u>	<u>\$ 1,520,153</u>	<u>\$ 1,668,479</u>	<u>\$ 460,817</u>	<u>\$ 722,120</u>	<u>\$ 621,671</u>	<u>\$ 561,266</u>

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

LAKE GEORGE REGIONAL SEWER DISTRICT  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Years Ended December 31, 2017 and 2018

Fund	Cash and Investments 01-01-17	Receipts	Disbursements	Cash and Investments 12-31-17	Receipts	Disbursements	Cash and Investments 12-31-18
Sewer Improvement Fund	\$ 478,852	\$ 195,506	\$ 97,000	\$ 577,358	\$ 164,882	\$ 78,806	\$ 663,434
Sewer Operating	19,228	289,050	300,224	8,054	270,736	268,024	10,766
Sewer Operating & Maint Reserve	32,000	-	-	32,000	-	-	32,000
Sewer Revenue Lock Box	<u>31,186</u>	<u>377,497</u>	<u>385,307</u>	<u>23,376</u>	<u>344,630</u>	<u>352,308</u>	<u>15,698</u>
Totals	<u>\$ 561,266</u>	<u>\$ 862,053</u>	<u>\$ 782,531</u>	<u>\$ 640,788</u>	<u>\$ 780,248</u>	<u>\$ 699,138</u>	<u>\$ 721,898</u>

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

LAKE GEORGE 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 a 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.

*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.

*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.

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

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.

LAKE GEORGE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

LAKE GEORGE REGIONAL SEWER DISTRICT  
REVIEW RESULTS AND COMMENTS

***ADOPTION AND TRAINING OF INTERNAL CONTROLS***

*Condition and Context*

The Board of Trustees had not adopted the minimum level of internal control standards as required by statute. Additionally, the Board of Trustees did not provide training to personnel concerning internal control standards and procedures during the audit period.

*Criteria*

Indiana Code 5-11-1-27(g) states:

"After June 30, 2016, the legislative body of a political subdivision shall ensure that:

- (1) The internal control standards and procedures developed under subsection (e) are adopted by the political subdivision; and
- (2) Personnel receive training concerning the internal control standards and procedures adopted by the political subdivision."

***CERTIFICATION ON INTERNAL CONTROL STANDARDS***

*Condition and Context*

The Treasurer incorrectly certified on the Annual Financial Report for 2016, 2017, and 2018 that the required internal control standards had been adopted and training had been provided to personnel. However, the District had not adopted the internal control standards as required by Indiana Code 5-11-1-27(g), nor had personnel been trained.

*Criteria*

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state of local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. These reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

LAKE GEORGE REGIONAL SEWER DISTRICT  
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2019, with Jon Finkbeiner, Treasurer; Randy P. Tilbury, Controller; and Bob Shirey, President of the Board of Trustees.