

TRI-LAKES REGIONAL SEWER DISTRICT
Whitley County, Indiana

FINANCIAL STATEMENTS
December 31, 2017

TRI-LAKES REGIONAL SEWER DISTRICT
Whitley County, Indiana

FINANCIAL STATEMENTS
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TRI-LAKES REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
District Administrator	Carol J. Martin	01-01-17 to 12-31-17
Treasurer	Priscilla K. Peters	01-01-17 to 12-31-17
President of the Board	Tim A. Brower	01-01-17 to 12-31-17

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Tri-Lakes Regional Sewer District
Columbia City, Indiana

Report on the Financial Statement

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Tri-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.

(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 6, 2018

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

	Cash and Investments		Cash and Investments	
Fund	<u>01-01-17</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>12-31-17</u>
Wastewater Cash Operating Fund	\$ 418,477	\$ 938,128	\$ 783,276	\$ 573,329
Refunding revenue bonds	507,750	277,038	378,116	406,672
Wastewater CD'S/Money Market Account	-	112,487	-	112,487
Wastewater Federal Withholding	954	8,989	9,204	739
Wastewater State Withholding	-	2,709	2,493	216
Wastewater Social Security & Medicare	1,269	13,518	13,560	1,227
Wastewater County Withholding	20	1,125	1,055	90
Wastewater Hoosier Start - 457B Retirement	50	2,133	2,183	-
Wastewater Direct Deposit	-	63,684	63,684	-
Wastewater Payroll	-	861	861	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 928,520</u>	<u>\$ 1,420,672</u>	<u>\$ 1,254,432</u>	<u>\$ 1,094,760</u>

See accompanying notes to the financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Tri-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 stated 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:

Utility fees. Amounts received from charges for current services.

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 services and charges. Amounts disbursed for services including, but are not limited to: 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 Unit. It includes all expenditures for the reduction of the principal and interest of the Unit 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.

(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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. As of the year ended December 31, 2017, the Unit held investments in a non-negotiable certificate of deposit.

The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable.

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.

(Continued)

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

NOTE 5 - PENSION PLAN

Retirement Plan 401(a)

Effective July 1, 2015, all eligible full-time employees of the District who are employed on January 1 of each calendar year will receive an annual nonmatching employer contribution of \$1,000 to their 401(a) account, a defined contribution plan. This nonmatching employer contribution will be made no later than December 31 of the same calendar year.

The Unit made contributions to the plan during the year under audit.

NOTE 6 - DEBT

In 2016, the Unit issued the Sewage Works Refunding Bonds of 2016 in the amount of \$2,682,000 for the purpose of refunding outstanding revenue bonds. The bonds mature on July 1, 2027. The Unit made principal and interest payments during the year under audit.

SUPPLEMENTAL SCHEDULES (Unaudited)

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

	Wastewater Cash Operating Fund	Wastewater Bond & Interest (Sinking)	Wastewater CD'S/Money Market Account	Wastewater Federal Withholding	Wastewater State Withholding	Wastewater Social Security & Medicare	Wastewater County Withholding	Wastewater Hoosier Start - 457B Retirement	Wastewater Direct Deposit	Wastewater Payroll	Totals
Refunding revenue bonds											
Cash and investments - beginning	\$ 418,477	\$ 507,750	\$ -	\$ 954	\$ -	\$ 1,269	\$ 20	\$ 50	\$ -	\$ -	\$ 928,520
Receipts:											
Utility fees	803,385	-	-	-	-	-	-	-	-	-	803,385
Other receipts	134,743	277,038	112,487	8,989	2,709	13,518	1,125	2,133	63,684	861	617,287
Total receipts	938,128	277,038	112,487	8,989	2,709	13,518	1,125	2,133	63,684	861	1,420,672
Disbursements:											
Personal services	85,539	-	-	-	-	-	-	-	-	-	85,539
Other services and charges	14,295	-	-	-	-	-	-	-	-	-	14,295
Debt service - principal and interest	-	265,599	-	-	-	-	-	-	-	-	265,599
Capital outlay	33,112	-	-	-	-	-	-	-	-	-	33,112
Utility operating expenses	352,148	-	-	-	-	-	-	2,183	-	-	354,331
Other disbursements	298,182	112,517	-	9,204	2,493	13,560	1,055	-	63,684	861	501,556
Total disbursements	783,276	378,116	-	9,204	2,493	13,560	1,055	2,183	63,684	861	1,254,432
Excess (deficiency) of receipts over disbursements	154,852	(101,078)	112,487	(215)	216	(42)	70	(50)	-	-	166,240
Cash and investments - ending	\$ 573,329	\$ 406,672	\$ 112,487	\$ 739	\$ 216	\$ 1,227	\$ 90	\$ -	\$ -	\$ -	\$ 1,094,760

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

	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Government or Enterprise		
Wastewater	\$ 27,190	\$ 7,258
Governmental activities	<u>-</u>	<u>-</u>
Refunding revenue bonds	<u>\$ 27,190</u>	<u>\$ 7,258</u>

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
<u>Type</u>	<u>Purpose</u>		
Wastewater:			
Refunding revenue bonds	Sewer System	\$ 2,346,000	\$ 266,491
Totals		<u>\$ 2,346,000</u>	<u>\$ 266,491</u>

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

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:	
Refunding revenue bonds	\$ -
Total governmental activities	<u>-</u>
Wastewater:	
Land	284,726
Infrastructure	13,741,036
Buildings	150,310
Machinery, equipment and vehicles	<u>78,567</u>
Total Wastewater	<u>14,254,639</u>
Total capital assets	<u>\$ 14,254,639</u>

TRI-LAKES REGIONAL SEWER DISTRICT
OTHER REPORT
December 31, 2017

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 Tri-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*.