

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LAKELAND REGIONAL SEWER DISTRICT

KOSCIUSKO COUNTY, INDIANA

January 1, 2011 to December 31, 2014



**FILED**  
04/08/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	James R. Haney Michael R. DeWald	01-01-11 to 12-31-11 01-01-12 to 12-31-15
President of the Board	David Doctor James R. Haney	01-01-11 to 06-05-13 06-06-13 to 12-31-15



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LAKELAND REGIONAL  
SEWER DISTRICT, KOSCIUSKO COUNTY, INDIANA

We have examined the accompanying financial statements of the Lakeland Regional Sewer District (District), for the period of January 1, 2011 to December 31, 2014. The financial statements are the responsibility of the District's management. 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 and, accordingly, included examining, on a test basis, evidence supporting the financial statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, 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 discussed in the preceding paragraph, the financial statements 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 for the period of January 1, 2011 to December 31, 2014.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the District for the period of January 1, 2011 to December 31, 2014, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, 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*  
Paul D. Joyce, CPA  
State Examiner

December 14, 2015

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## 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.

LAKELAND REGIONAL SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
Wastewater General Operating	\$ 107,645	\$ 910	\$ 12,054	\$ 96,501	\$ 867	\$ 11,135	\$ 86,233
Wastewater Sewage Works Construction Fund	-	346,000	342,224	3,776	1,373,000	1,383,990	(7,214)
Totals	<u>\$ 107,645</u>	<u>\$ 346,910</u>	<u>\$ 354,278</u>	<u>\$ 100,277</u>	<u>\$ 1,373,867</u>	<u>\$ 1,395,125</u>	<u>\$ 79,019</u>

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



LAKELAND 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
Wastewater General Operating	\$ 86,233	\$ 724	\$ 9,114	\$ 77,843	\$ 231	\$ 8,603	\$ 69,471
Wastewater Sewage Works Construction Fund	(7,214)	275,000	250,990	16,796	133,000	134,801	14,995
<b>Totals</b>	<u>\$ 79,019</u>	<u>\$ 275,724</u>	<u>\$ 260,104</u>	<u>\$ 94,639</u>	<u>\$ 133,231</u>	<u>\$ 143,404</u>	<u>\$ 84,466</u>

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

LAKELAND 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 may include the following sources:

Other receipts which include 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.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include the following uses:

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

LAKELAND REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*F. Interfund Transfers*

The District may, from time to time, transfer money 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 money 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 money 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, 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.

**Note 4. Cash Balance Deficit**

The Wastewater Sewage Works Construction Fund had a deficit in cash at December 31, 2012. This is a result of a Bond Anticipation Note drawdown that was received after the December 31, 2012 year-end date.

LAKELAND REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 5. Subsequent Events**

Construction of a new sewer collection system and wastewater treatment plant began in the District in 2015. The estimated cost of the project is \$28,718,000. The District received a \$20,089,000 Water and Waste Disposal Systems for Rural Communities loan through the United States Department of Agriculture (USDA) on July 1, 2015. A \$2,416,551 Bond Anticipation Note which was used to fund preliminary pre-construction costs was paid in full upon receipt of the USDA loan. In addition, a Water and Waste Disposal Systems for Rural Communities USDA grant not to exceed \$8,629,000 was awarded to fund the remainder of the project cost. The estimated date of completion of the project is December 31, 2016.

#### OTHER INFORMATION - UNAUDITED

The District's Annual Report 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 Annual Reports of the District which are 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.

LAKELAND REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2011

	Wastewater General Operating	Wastewater Sewage Works Construction Fund	Totals
Cash and investments - beginning	\$ 107,645	\$ -	\$ 107,645
Receipts:			
Other receipts	910	346,000	346,910
Total receipts	910	346,000	346,910
Disbursements:			
Other services and charges	6,543	-	6,543
Capital outlay	-	342,224	342,224
Utility operating expenses	5,511	-	5,511
Total disbursements	12,054	342,224	354,278
Excess (deficiency) of receipts over disbursements	(11,144)	3,776	(7,368)
Cash and investments - ending	\$ 96,501	\$ 3,776	\$ 100,277

LAKELAND REGIONAL SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012

	Wastewater General Operating	Wastewater Sewage Works Construction Fund	Totals
Cash and investments - beginning	\$ 96,501	\$ 3,776	\$ 100,277
Receipts:			
Other receipts	<u>867</u>	<u>1,373,000</u>	<u>1,373,867</u>
Total receipts	<u>867</u>	<u>1,373,000</u>	<u>1,373,867</u>
Disbursements:			
Other services and charges	7,715	-	7,715
Capital outlay	1,295	1,383,990	1,385,285
Utility operating expenses	<u>2,125</u>	<u>-</u>	<u>2,125</u>
Total disbursements	<u>11,135</u>	<u>1,383,990</u>	<u>1,395,125</u>
Excess (deficiency) of receipts over disbursements	<u>(10,268)</u>	<u>(10,990)</u>	<u>(21,258)</u>
Cash and investments - ending	<u>\$ 86,233</u>	<u>\$ (7,214)</u>	<u>\$ 79,019</u>

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

	Wastewater General Operating	Wastewater Sewage Works Construction Fund	Totals
Cash and investments - beginning	\$ 86,233	\$ (7,214)	\$ 79,019
Receipts:			
Other receipts	<u>724</u>	<u>275,000</u>	<u>275,724</u>
Total receipts	<u>724</u>	<u>275,000</u>	<u>275,724</u>
Disbursements:			
Capital outlay	-	250,990	250,990
Other disbursements	<u>9,114</u>	<u>-</u>	<u>9,114</u>
Total disbursements	<u>9,114</u>	<u>250,990</u>	<u>260,104</u>
Excess (deficiency) of receipts over disbursements	<u>(8,390)</u>	<u>24,010</u>	<u>15,620</u>
Cash and investments - ending	<u>\$ 77,843</u>	<u>\$ 16,796</u>	<u>\$ 94,639</u>



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

	Wastewater General Operating	Wastewater Sewage Works Construction Fund	Totals
Cash and investments - beginning	\$ 77,843	\$ 16,796	\$ 94,639
Receipts:			
Other receipts	231	133,000	133,231
Total receipts	231	133,000	133,231
Disbursements:			
Capital outlay	-	134,801	134,801
Utility operating expenses	8,603	-	8,603
Total disbursements	8,603	134,801	143,404
Excess (deficiency) of receipts over disbursements	(8,372)	(1,801)	(10,173)
Cash and investments - ending	\$ 69,471	\$ 14,995	\$ 84,466

LAKELAND REGIONAL SEWER DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2014

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: Bond Anticipation Note	Sewage Works Construction	<u>\$ 2,127,000</u>	<u>\$ 2,347,913</u>

LAKELAND REGIONAL SEWER DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2014

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>
Wastewater:	
Land	\$ 90,013
Machinery, equipment, and vehicles	1,295
Construction in progress	<u>2,236,436</u>
Total capital assets	<u>\$ 2,327,744</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/>.