

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

FINANCIAL STATEMENT EXAMINATION REPORT
OF

ALLEN COUNTY REGIONAL WATER
AND SEWER DISTRICT
ALLEN COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
04/13/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director	Kenneth Neumeister	01-01-14 to 12-31-17
Treasurer	Win Rood	01-01-13 to 12-31-18
President of the Board	Ric Zehr	01-01-12 to 12-31-17
Office Manager	Laura Spuller Deborah Fee (Vacant)	01-01-14 to 04-01-16 04-02-16 to 01-30-17 01-31-17 to 02-28-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE ALLEN COUNTY REGIONAL WATER
AND SEWER DISTRICT, ALLEN COUNTY, INDIANA

We have examined the accompanying financial statement of the Allen County Regional Water and Sewer District (District), for the period of January 1, 2014 to December 31, 2014. The District's management is responsible for the financial statement. Our responsibility is to express an opinion 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 statement 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 to the financial statement, the District prepares its financial statement 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 statement 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 statement referred to above does 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 for the period of January 1, 2014 to December 31, 2014.

In our opinion, the financial statement referred to above present, in all material respects, the financial position and results of operations of the District for the period of January 1, 2014 to December 31, 2014, based on the prescribed 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 Schedule 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 statement. They have not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on them.

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

February 28, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
Allen County Regional Water & Sewer District Debt Service Reserve	\$ 554,365	\$ 50,855	\$ -	\$ 605,220
Allen County Regional Water & Sewer District Bond & Interest	506,061	1,458,190	1,453,255	510,996
Allen County Regional Water & Sewer District Construction	255,015	519,077	731,439	42,653
Allen County Regional Water & Sewer District Operating	1,005,119	1,970,184	1,794,061	1,181,242
Allen County Regional Water & Sewer District Payroll	501	540	937	104
Allen County Regional Water & Sewer District Improvement	671,296	160,201	365,191	466,306
Allen County Regional Water & Sewer District Seed Money	78,260	16,200	94,460	-
Totals	<u>\$ 3,070,617</u>	<u>\$ 4,175,247</u>	<u>\$ 4,439,343</u>	<u>\$ 2,806,521</u>

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

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the District.

B. 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, 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 statement. 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.

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.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

E. 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 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.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the District submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the District in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. 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 5. 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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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 District 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.

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
One North Capitol, 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 District withdrew from PERF on February 5, 2014, with an effective date of January 31, 2014. The District paid, as required by PERF, a remaining amount of \$2,850 to adequately fund the pension liability. Employees who are members of PERF are immediately vested in the accrued pension portion of the retirement benefit upon withdrawal. The District Board members then approved a 9.5 percent salary increase to the Executive Director to personally invest in another retirement plan effective February 8, 2014.

Note 7. Subsequent Events

Future SRF Funding

The District was awarded \$8,348,000 in federal grant loan funds and \$1,632,000 in matching state loan funds under a SRF agreement dated October 22, 2015, to finance new sewer construction and improvements. During 2015, the District received \$1,565,000 in federal drawdowns and \$1,131,911 in state drawdowns. The remaining \$6,783,000 in federal drawdowns and \$500,089 in state drawdowns were received during 2016. The District has been awarded an additional SRF loan on September 14, 2016, for \$12,080,000 with \$5,000,000 of this amount being forgivable providing terms are met. This loan will help the District continue to expand and improve their service area.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

Rate Ordinances

The District approved Sewage Rate Ordinance 2015-12-1 and the related Amendment 2016-4-27 that authorizes a 4-year rate plan. The plan incrementally increases and consolidates rates for service areas. The plan is effective on the first day of the year in 2016, 2017, 2018, and 2019.

Contracted Services

On September 30, 2016, the District terminated an operations and maintenance contract with Severn Trent Environmental Services, Inc., in favor of providing services through direct hire of four operational staff employees. On October 5, 2016, the District contracted with the City of Fort Wayne to provide operational assistance, billing and account management, payroll and human resource services, and facility rental with a base cost of \$259,800 per year. The agreement is effective for 10 years with an option to terminate after 5 years.

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OTHER INFORMATION - UNEXAMINED

The District's Annual Financial 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 statement contained in this report and the financial information presented in the District's Annual Financial Report 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.

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

	Allen County Regional Water & Sewer District Debt Service Reserve	Allen County Regional Water & Sewer District Bond & Interest	Allen County Regional Water & Sewer District Construction	Allen County Regional Water & Sewer District Operating	Allen County Regional Water & Sewer District Payroll	Allen County Regional Water & Sewer District Improvement	Allen County Regional Water & Sewer District Seed Money	Totals
Cash and investments - beginning	\$ 554,365	\$ 506,061	\$ 255,015	\$ 1,005,119	\$ 501	\$ 671,296	\$ 78,260	\$ 3,070,617
Receipts:								
Intergovernmental receipts	-	-	450,464	-	-	-	-	450,464
Utility fees	-	-	-	1,860,169	-	-	-	1,860,169
Other receipts	50,855	1,458,190	68,613	110,015	540	160,201	16,200	1,864,614
Total receipts	50,855	1,458,190	519,077	1,970,184	540	160,201	16,200	4,175,247
Disbursements:								
Personal services	-	-	-	87,050	-	-	-	87,050
Other services and charges	-	-	-	12,035	-	-	-	12,035
Debt service - principal and interest	-	760,484	-	-	-	-	-	760,484
Capital outlay	-	-	449,385	133,351	-	365,191	-	947,927
Utility operating expenses	-	-	-	744,820	937	-	94,460	840,217
Other disbursements	-	692,771	282,054	816,805	-	-	-	1,791,630
Total disbursements	-	1,453,255	731,439	1,794,061	937	365,191	94,460	4,439,343
Excess (deficiency) of receipts over disbursements	50,855	4,935	(212,362)	176,123	(397)	(204,990)	(78,260)	(264,096)
Cash and investments - ending	\$ 605,220	\$ 510,996	\$ 42,653	\$ 1,181,242	\$ 104	\$ 466,306	\$ -	\$ 2,806,521

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2014

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Allen County Regional Water & Sewer District	<u>\$ 311,963</u>	<u>\$ 7,041</u>

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Revenue bonds	2007 Revenue Bonds	\$ 1,222,194	\$ 104,658
Revenue bonds	2008 Revenue Bonds	2,431,000	200,309
Revenue bonds	2012 Refunding Revenue Bonds	1,170,000	172,225
Revenue bonds	2012 Revenue Bonds, Series A	5,105,000	269,000
Revenue bonds	2012 Revenue Bonds, Series B	136,000	16,000
Revenue bonds (1)	Forgivable BAN	<u>1,965,000</u>	<u>-</u>
Total governmental activities		<u>\$ 12,029,194</u>	<u>\$ 762,192</u>

Note:

(1) Debt to be forgiven July 1, 2015 and canceled July 1, 2016.

ALLEN COUNTY REGIONAL WATER AND 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.

	Ending Balance
Governmental activities:	
Land	\$ 92,199
Infrastructure	7,053,869
Buildings	18,200
Machinery, equipment, and vehicles	3,520,450
Construction in progress	14,107,030
Total capital assets	\$ 24,791,748

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/>.