

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

LIBERTY REGIONAL WASTEWATER DISTRICT

DELAWARE COUNTY, INDIANA

January 1, 2012 to December 31, 2016



FILED
03/09/2018

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Kathy May	01-01-12 to 12-31-18
Superintendent	Jerry Zearbaugh	01-01-12 to 12-31-18
Treasurer	Jennifer Devine Peggy Selvey	01-01-12 to 12-31-12 01-01-13 to 12-31-18
President of the Board	Ronald Barrett	01-01-12 to 12-31-18



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE LIBERTY REGIONAL WASTEWATER
DISTRICT, DELAWARE COUNTY, INDIANA

We have examined the accompanying financial statements of the Liberty Regional Wastewater District (District), for the period of January 1, 2012 to December 31, 2016. The District's management is responsible for the fair presentation of these financial statements in accordance with the prescribed basis of accounting described in Note 1. 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the financial statements are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the financial statements. The nature, timing, and extent of the procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

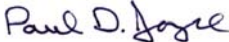
As discussed in Note 1 to the financial statements, the District prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is 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 described in the preceding paragraph, the financial statements for the period of January 1, 2012 to December 31, 2016, referred to above, do 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.

INDEPENDENT ACCOUNTANT'S REPORT
(Continued)

In our opinion, the financial statements for the period of January 1, 2012 to December 31, 2016, referred to above, present the financial position and results of operations of the District based on the prescribed basis of accounting described in Note 1 to the financial statements, in all material respects.

Our examination was conducted for the purpose of forming an opinion on the District's financial statements. The Combining Schedules 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 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, CPA
State Examiner

January 24, 2018

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.

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LIBERTY REGIONAL WASTEWATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
Payroll	\$ -	\$ 160,158	\$ 160,158	\$ -	\$ 163,632	\$ 163,632	\$ -
Sewage Operating	553,405	1,177,765	1,117,321	613,849	1,181,752	1,177,587	618,014
Sewage Util Bond & Int	38,872	248,220	244,188	42,904	248,340	247,110	44,134
Sewage Debt Service	224,643	6,792	-	231,435	6,792	-	238,227
Sewage Util Construction	(4,469)	152,380	147,911	-	36,852	37,280	(428)
Sewage Works	<u>69,682</u>	<u>5,944</u>	<u>1,191</u>	<u>74,435</u>	<u>117,173</u>	<u>183,241</u>	<u>8,367</u>
Totals	<u>\$ 882,133</u>	<u>\$ 1,751,259</u>	<u>\$ 1,670,769</u>	<u>\$ 962,623</u>	<u>\$ 1,754,541</u>	<u>\$ 1,808,850</u>	<u>\$ 908,314</u>

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

LIBERTY REGIONAL WASTEWATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Years Ended December 31, 2014 and 2015

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14	Receipts	Disbursements	Cash and Investments 12-31-15
Payroll	\$ -	\$ 163,070	\$ 163,070	\$ -	\$ 162,384	\$ 162,384	\$ -
Sewage Operating	618,014	1,300,345	1,261,156	657,203	1,519,496	1,393,096	783,603
Sewage Util Bond & Int	44,134	248,220	247,804	44,550	247,745	250,236	42,059
Sewage Debt Service	238,227	6,792	-	245,019	9,977	-	254,996
Sewage Util Construction	(428)	428	-	-	794,690	884,527	(89,837)
Sewage Works	8,367	88,492	89,247	7,612	61,520	53,864	15,268
Totals	<u>\$ 908,314</u>	<u>\$ 1,807,347</u>	<u>\$ 1,761,277</u>	<u>\$ 954,384</u>	<u>\$ 2,795,812</u>	<u>\$ 2,744,107</u>	<u>\$ 1,006,089</u>

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

LIBERTY REGIONAL WASTEWATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Payroll	\$ -	\$ 155,979	\$ 155,979	\$ -
Sewage Operating	783,603	1,544,260	1,360,651	967,212
Sewage Util Bond & Int	42,059	278,856	307,504	13,411
Sewage Debt Service	254,996	12,700	-	267,696
Sewage Util Construction	(89,837)	151,860	62,023	-
Sewage Works	15,268	21,545	2,250	34,563
Totals	<u>\$ 1,006,089</u>	<u>\$ 2,165,200</u>	<u>\$ 1,888,407</u>	<u>\$ 1,282,882</u>

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

LIBERTY REGIONAL WASTEWATER 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.

Penalties. Amounts received from late payment fees.

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.

LIBERTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

LIBERTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

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. 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.

Note 5. Cash Balance Deficits

The financial statements contain some funds with deficits in cash. This is a result of the funds being set up for reimbursable grants. The reimbursements for expenditures made by the District were not received by December 31, 2015.

OTHER INFORMATION - UNEXAMINED

The District's Annual Financial Reports 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 District's Annual Financial Reports 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.

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

	Payroll	Sewage Operating	Sewage Util Bond & Int	Sewage Debt Service	Sewage Util Construction	Sewage Works	Totals
Cash and investments - beginning	\$ -	\$ 553,405	\$ 38,872	\$ 224,643	\$ (4,469)	\$ 69,682	\$ 882,133
Receipts:							
Utility fees, including Penalties	-	1,171,000	-	-	-	-	1,171,000
Other receipts	160,158	6,765	248,220	6,792	152,380	5,944	580,259
Total receipts	160,158	1,177,765	248,220	6,792	152,380	5,944	1,751,259
Disbursements:							
Personal services	160,158	160,158	-	-	-	-	320,316
Other services and charges	-	22,916	-	-	-	-	22,916
Debt service - principal and interest	-	-	244,188	-	-	-	244,188
Capital outlay	-	7,999	-	-	121,849	-	129,848
Utility operating expenses	-	640,679	-	-	26,062	1,191	667,932
Other disbursements	-	285,569	-	-	-	-	285,569
Total disbursements	160,158	1,117,321	244,188	-	147,911	1,191	1,670,769
Excess (deficiency) of receipts over disbursements	-	60,444	4,032	6,792	4,469	4,753	80,490
Cash and investments - ending	\$ -	\$ 613,849	\$ 42,904	\$ 231,435	\$ -	\$ 74,435	\$ 962,623

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

	Payroll	Sewage Operating	Sewage Util Bond & Int	Sewage Debt Service	Sewage Util Construction	Sewage Works	Totals
Cash and investments - beginning	\$ -	\$ 613,849	\$ 42,904	\$ 231,435	\$ -	\$ 74,435	\$ 962,623
Receipts:							
Utility fees, including Penalties	-	1,126,250	-	-	-	-	1,126,250
Other receipts	163,632	55,502	248,340	6,792	36,852	117,173	628,291
Total receipts	163,632	1,181,752	248,340	6,792	36,852	117,173	1,754,541
Disbursements:							
Personal services	163,632	163,632	-	-	-	-	327,264
Other services and charges	-	22,733	-	-	-	-	22,733
Debt service - principal and interest	-	-	247,110	-	-	-	247,110
Capital outlay	-	7,333	-	-	28,467	133,099	168,899
Utility operating expenses	-	565,291	-	-	8,813	142	574,246
Other disbursements	-	418,598	-	-	-	50,000	468,598
Total disbursements	163,632	1,177,587	247,110	-	37,280	183,241	1,808,850
Excess (deficiency) of receipts over disbursements	-	4,165	1,230	6,792	(428)	(66,068)	(54,309)
Cash and investments - ending	\$ -	\$ 618,014	\$ 44,134	\$ 238,227	\$ (428)	\$ 8,367	\$ 908,314

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

	Payroll	Sewage Operating	Sewage Util Bond & Int	Sewage Debt Service	Sewage Util Construction	Sewage Works	Totals
Cash and investments - beginning	\$ -	\$ 618,014	\$ 44,134	\$ 238,227	\$ (428)	\$ 8,367	\$ 908,314
Receipts:							
Utility fees, including Penalties	-	1,294,574	-	-	-	-	1,294,574
Other receipts	163,070	5,771	248,220	6,792	428	88,492	512,773
Total receipts	163,070	1,300,345	248,220	6,792	428	88,492	1,807,347
Disbursements:							
Personal services	163,070	163,070	-	-	-	-	326,140
Other services and charges	-	22,147	-	-	-	-	22,147
Debt service - principal and interest	-	-	247,804	-	-	-	247,804
Capital outlay	-	13,674	-	-	-	89,113	102,787
Utility operating expenses	-	684,647	-	-	-	134	684,781
Other disbursements	-	377,618	-	-	-	-	377,618
Total disbursements	163,070	1,261,156	247,804	-	-	89,247	1,761,277
Excess (deficiency) of receipts over disbursements	-	39,189	416	6,792	428	(755)	46,070
Cash and investments - ending	\$ -	\$ 657,203	\$ 44,550	\$ 245,019	\$ -	\$ 7,612	\$ 954,384

LIBERTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	Payroll	Sewage Operating	Sewage Util Bond & Int	Sewage Debt Service	Sewage Util Construction	Sewage Works	Totals
Cash and investments - beginning	\$ -	\$ 657,203	\$ 44,550	\$ 245,019	\$ -	\$ 7,612	\$ 954,384
Receipts:							
Utility fees, including Penalties	-	1,433,778	-	-	-	-	1,433,778
Other receipts	162,384	85,718	247,745	9,977	794,690	61,520	1,362,034
Total receipts	162,384	1,519,496	247,745	9,977	794,690	61,520	2,795,812
Disbursements:							
Personal services	162,384	162,384	-	-	-	-	324,768
Other services and charges	-	25,496	-	-	-	-	25,496
Debt service - principal and interest	-	-	250,236	-	-	-	250,236
Capital outlay	-	19,987	-	-	757,007	46,049	823,043
Utility operating expenses	-	808,110	-	-	127,520	-	935,630
Other disbursements	-	377,119	-	-	-	7,815	384,934
Total disbursements	162,384	1,393,096	250,236	-	884,527	53,864	2,744,107
Excess (deficiency) of receipts over disbursements	-	126,400	(2,491)	9,977	(89,837)	7,656	51,705
Cash and investments - ending	\$ -	\$ 783,603	\$ 42,059	\$ 254,996	\$ (89,837)	\$ 15,268	\$ 1,006,089

LIBERTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2016

	Payroll	Sewage Operating	Sewage Utl Bond & Int	Sewage Debt Service	Sewage Utl Construction	Sewage Works	Totals
Cash and investments - beginning	\$ -	\$ 783,603	\$ 42,059	\$ 254,996	\$ (89,837)	\$ 15,268	\$ 1,006,089
Receipts:							
Utility fees, including Penalties	-	1,542,778	-	-	-	-	1,542,778
Other receipts	155,979	1,482	278,856	12,700	151,860	21,545	622,422
Total receipts	155,979	1,544,260	278,856	12,700	151,860	21,545	2,165,200
Disbursements:							
Personal services	155,979	155,979	-	-	-	-	311,958
Other services and charges	-	26,365	-	-	-	-	26,365
Debt service - principal and interest	-	-	307,504	-	-	-	307,504
Capital outlay	-	10,684	-	-	37,916	2,250	50,850
Utility operating expenses	-	739,578	-	-	24,107	-	763,685
Other disbursements	-	428,045	-	-	-	-	428,045
Total disbursements	155,979	1,360,651	307,504	-	62,023	2,250	1,888,407
Excess (deficiency) of receipts over disbursements	-	183,609	(28,648)	12,700	89,837	19,295	276,793
Cash and investments - ending	\$ -	\$ 967,212	\$ 13,411	\$ 267,696	\$ -	\$ 34,563	\$ 1,282,882

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2016

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Wastewater	\$ -	\$ 263,646
Governmental activities	<u>-</u>	<u>-</u>
Totals	<u>\$ -</u>	<u>\$ 263,646</u>

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2016

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Wastewater:			
Revenue bonds	2001 Construction Bond	\$ 900,000	\$ 168,300
Revenue bonds	2010 Re-Construction and Maintenance	1,793,000	59,873
Revenue bonds	2004 Construction Bond	126,000	19,196
Revenue bonds	2015 Construction Bond	<u>889,378</u>	<u>61,020</u>
Total Wastewater		<u>3,753,884</u>	<u>308,389</u>
Totals		<u>\$ 3,753,884</u>	<u>\$ 308,389</u>

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2016

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	\$ 167,647
Infrastructure	8,686,002
Buildings	340,031
Improvements other than buildings	194,500
Machinery, equipment, and vehicles	442,251
Construction in progress	<u>992,000</u>
Total Wastewater	<u>10,822,431</u>
Total capital assets	<u>\$ 10,822,431</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/>.