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STATE BOARD OF ACCOUNTS
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February 5, 2020

Board of Trustees
Newton County Regional Water and Sewer District
P.O. Box 219
Morocco, IN 47963

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Newton County Regional Water and Sewer District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2017 to December 31, 2017. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Newton County Regional Water and Sewer District as of December 31, 2017, and the results of its operations for the period then ended, on the basis of accounting described in the report.

In our opinion, Crowe LLP prepared the audit report in accordance with the guidelines established by the State Board of Accounts.

The report is filed with this letter in our office as a matter of public record.

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

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
Newton County, Indiana

FINANCIAL STATEMENTS
December 31, 2017

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
Newton County, Indiana

FINANCIAL STATEMENTS
December 31, 2017

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NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2017

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherri Rainford	01-01-17 to 12-31-17
President of the Board	Randy Decker	01-01-17 to 12-31-17

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Newton County Regional Water and Sewer District
Brook, Indiana

Report on the Financial Statement

We have audited the accompanying statements of receipts, disbursements, and cash and investment balances of Newton County Regional Water and 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 audits. We conducted our audits 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
Crowe LLP

Indianapolis, Indiana
January 23, 2020

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2017

<u>Fund</u>	Cash and Investments <u>01-01-17</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-17</u>
PAYROLL	\$ -	\$ 39,538	\$ 38,220	\$ 1,318
PLANT 1-WATER UTILITY OPERATING	-	373,451	174,042	199,409
SEWER SENIOR BOND & INTEREST	-	288,932	-	288,932
SEWER SENIOR DEBT SERVICE RESERVE	-	686,867	-	686,867
SEWER JUNIOR BOND & INTEREST	-	281,335	-	281,335
2017 A-1 SEWAGE WORKS CONSTRUCTION ACCOUNT	-	656,000	656,000	-
2017 A-2 SEWAGE WORKS CONSTRUCTION ACCOUNT	-	1,872,170	1,872,170	-
WATER SENIOR BOND & INTEREST	-	88,921	-	88,921
WATER SENIOR DEBT SERVICE RESERVE	-	42,538	31,731	10,807
WATER JUNIOR BOND & INTEREST	-	112,072	31,731	80,341
2017 A-1 WATERWORKS CONSTRUCTION ACCOUNT	-	224,000	224,000	-
2017 A-2 WATERWORKS CONSTRUCTION ACCOUNT	-	1,894,874	1,894,874	-
PLANT 2-WASTEWATER UTILITY OPERATING	469,991	998,515	397,820	1,070,686
Totals	<u>\$ 469,991</u>	<u>\$ 7,559,213</u>	<u>\$ 5,320,588</u>	<u>\$ 2,708,616</u>

See accompanying notes to financial statements.

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: 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 - 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 non-negotiable certificates of deposit.

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

NOTE 3 - 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)

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

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 an agent 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 Unit 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
1 North Capital Street, 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 Unit made contributions to the PERF plan during the year under audit. The contribution rate was 11.2% for the year under audit.

NOTE 5- DEBT

In 2017, the Unit issued the Senior Sewage Works Revenue Bond of 2017, Series A-1 in the amount of \$656,000. \$23,803 of the funding was used to pay off interest on the 2016 Sewer Bond Anticipation Note, \$62,603 was deposited in the operation and maintenance fund for future maintenance costs, and the remaining \$570,174 deposited in debt service funds to make future interest payments on the Senior and 2017 Sewer Bond funds. The bond matures on July 1, 2020.

In 2017, the Unit issued the Senior Sewage Works Revenue Bond of 2017, Series A-2 in the amount of up to \$3,266,000. \$1,659,191 of the funding was to be used to pay the remaining principal on the Sewer 2016 Bond Anticipation Note with the remaining funding to be used for the wastewater treatment plant construction costs. As of December 31, 2017, \$1,872,170 of the loan was drawn and outstanding. The bond matures on July 1, 2027. The Unit made did not make any interest or principal payments during the year under audit.

In 2017, the Unit issued the Senior Sewage Works Revenue Bond of 2017, Series A-3 in the amount of up to \$7,548,000 to be used for the wastewater treatment plant construction. As of December 31, 2017, none of the loan has been drawn upon. The bond matures on July 1, 2039. The Unit made did not make any interest or principal payments during the year under audit.

(Continued)

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5- DEBT (Continued)

In 2017, the Unit issued the Junior Sewage Works Revenue Bond of 2017, Series B in the amount of up to \$6,223,000 to be used for the wastewater treatment plant construction. As of December 31, 2017, none of the loan has been drawn upon. The bond matures on July 1, 2037. The Unit made did not make any interest or principal payments during the year under audit.

In 2017, the Unit issued the Senior Water Works Revenue bond of 2017, Series A-1 in the amount of \$224,000. \$23,170 of the funding was used to pay off interest on the 2016 Water Bond Anticipations Note, \$30,903 was deposited in the operation and maintenance fund for future maintenance costs, and the remaining \$169,927 deposited in debt service funds to make future interest payments on the Senior and 2017 Water Bond funds. The bond matures on January 1, 2021. The Unit made did not make any interest or principal payments during the year under audit.

In 2017, the Unit issued the Senior Water Works Revenue Bond of 2017, Series A-2 in the amount of up to \$3,306,000. \$1,473,266 of the funding was used to pay the remaining balance on the Water 2016 Bond Anticipation Note with the remaining funding to be used for the wastewater treatment plant construction. As of December 31, 2017, \$1,894,874 of the loan was drawn and outstanding. The bond matures on January 1, 2039. The Unit made did not make any interest or principal payments during the year under audit.

In 2017, the Unit issued the Junior Water Works Revenue Bond of 2017, Series B in the amount of up to \$1,777,000 to be used for the wastewater treatment plant construction. As of December 31, 2017, none of the loan has been drawn upon. The bond matures on January 1, 2037. The Unit made did not make any interest or principal payments during the year under audit.

SUPPLEMENTAL SCHEDULES (Unaudited)

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

	PAYROLL	PLANT 1-WATER UTILITY OPERATING	PLANT 2-WASTEWATER UTILITY OPERATING	SEWER SENIOR BOND & INTEREST	SEWER SENIOR DEBT SERVICE RESERVE	SEWER JUNIOR BOND & INTEREST	2017 A-1 SEWAGE WORKS CONSTRUCTION ACCOUNT	2017 A-2 SEWAGE WORKS CONSTRUCTION ACCOUNT	WATER SENIOR BOND & INTEREST	WATER SENIOR DEBT SERVICE RESERVE	WATER JUNIOR BOND & INTEREST	2017 A-1 WATERWORKS CONSTRUCTION ACCOUNT	2017 A-2 WATERWORKS CONSTRUCTION ACCOUNT	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 469,991	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 469,991
Receipts:														
Utility fees	-	59,545	260,517	-	-	-	-	-	-	-	-	-	-	320,062
Other receipts	39,538	313,906	737,998	288,932	686,867	281,335	656,000	1,872,170	88,921	42,538	112,072	224,000	1,894,874	7,239,151
Total receipts	39,538	373,451	998,515	288,932	686,867	281,335	656,000	1,872,170	88,921	42,538	112,072	224,000	1,894,874	7,559,213
Disbursements:														
Personal services	-	2,500	34,228	-	-	-	-	-	-	-	-	-	-	36,728
Other services and charges	-	6,058	6,057	-	-	-	-	-	-	-	-	-	-	12,115
Debt service - principal and interest	-	10,799	-	-	-	-	23,803	1,659,191	-	-	-	23,170	1,473,266	3,190,229
Capital outlay	-	-	-	-	-	-	-	212,979	-	-	-	-	421,608	634,587
Utility operating expenses	-	27,675	278,080	-	-	-	-	-	-	-	-	-	-	305,755
Other disbursements	38,220	127,010	79,455	-	-	-	632,197	-	-	31,731	31,731	200,830	-	1,141,174
Total disbursements	38,220	174,042	397,820	-	-	-	656,000	1,872,170	-	31,731	31,731	224,000	1,894,874	5,320,588
Excess (deficiency) of receipts over disbursements	1,318	199,409	600,695	288,932	686,867	281,335	-	-	88,921	10,807	80,341	-	-	2,238,625
Cash and investments - ending	\$ 1,318	\$ 199,409	\$ 1,070,686	\$ 288,932	\$ 686,867	\$ 281,335	\$ -	\$ -	\$ 88,921	\$ 10,807	\$ 80,341	\$ -	\$ -	\$ 2,708,616

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2017

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sewer	\$ 32,458	\$ 17,243
Water	<u>37,941</u>	<u>6,515</u>
Totals	<u>\$ 70,399</u>	<u>\$ 23,758</u>

NEWTON COUNTY REGIONAL WATER AND 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>		
Sewer:			
Revenue bonds	Construction of Wastewater Improvements A-2	\$ 1,872,170	\$ 37,443
Revenue bonds	Construction of Wastewater Improvements A-1	<u>656,000</u>	<u>9,949</u>
Total Sewer		<u>2,528,170</u>	<u>47,393</u>
Water:			
Revenue bonds	Construction of Water Works Improvements A1	224,000	3,397
Revenue bonds	Construction of Water Works Improvements A2	<u>1,894,874</u>	<u>37,897</u>
Total Water		<u>2,118,874</u>	<u>41,294</u>
Totals		<u>\$ 4,647,044</u>	<u>\$ 88,687</u>

NEWTON COUNTY REGIONAL WATER AND 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>
Sewer:	
Machinery, Equipment, and Vehicles	\$ 16,700
Construction in progress	<u>1,938,548</u>
Total Sewer	<u>1,955,248</u>
Water:	
Machinery, Equipment, and Vehicles	23,964
Construction in progress	<u>1,900,034</u>
Total Water	<u>1,923,998</u>
Total capital assets	<u>\$ 3,879,246</u>

NEWTON COUNTY REGIONAL WATER AND 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 Newton County Regional Water and 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*.