

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

FINANCIAL STATEMENTS AUDIT REPORT
OF
LIBERTY REGIONAL WASTEWATER DISTRICT
DELAWARE COUNTY, INDIANA
January 1, 2018 to December 31, 2019



FILED
04/13/2020

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
Financial Statements and Accompanying Notes:	
Statements of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	6-7
Notes to Financial Statements.....	8-11
Other Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	15-16
Schedule of Payables and Receivables	17
Schedule of Leases and Debt	18
Schedule of Capital Assets.....	19
Other Reports.....	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Jerry Zearbaugh	01-01-18 to 12-31-20
Treasurer	Peggy Selvey	01-01-18 to 12-31-20
President of the District Board	Steve Knot	01-01-18 to 12-31-20



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Liberty Regional Wastewater District (District), which comprise the financial position and results of operations for the period of January 1, 2018 to December 31, 2019, and the related notes to the financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. 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 Wastewater District'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 District'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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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 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 and results of operations of the District for the period of January 1, 2018 to December 31, 2019.


Opinion on Regulatory Basis of Accounting

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, 2018 to December 31, 2019, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Other Information

Our audit 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 auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

April 6, 2020

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.

LIBERTY REGIONAL WASTEWATER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

Fund	Cash and Investments 01-01-18	Receipts	Disbursements	Cash and Investments 12-31-18
PAYROLL	\$ -	\$ 180,446	\$ 180,446	\$ -
SEWAGE OPERATING	1,017,959	1,630,485	1,566,495	1,081,949
SEWAGE UTL BOND & INT	15,312	310,240	307,778	17,774
SEWAGE DEBT SERVICE	281,776	16,808	-	298,584
SEWAGE WORKS	<u>39,546</u>	<u>12,460</u>	<u>5,600</u>	<u>46,406</u>
Totals	<u>\$ 1,354,593</u>	<u>\$ 2,150,439</u>	<u>\$ 2,060,319</u>	<u>\$ 1,444,713</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, 2019

Fund	Cash and Investments 01-01-19	Receipts	Disbursements	Cash and Investments 12-31-19
PAYROLL	\$ -	\$ 178,923	\$ 178,923	\$ -
SEWAGE OPERATING	1,081,949	1,832,586	1,800,935	1,113,600
SEWAGE UTL BOND & INT	17,774	311,023	307,867	20,930
SEWAGE DEBT SERVICE	298,584	18,532	-	317,116
SEWAGE WORKS	46,406	11,881	37,678	20,609
Totals	<u>\$ 1,444,713</u>	<u>\$ 2,352,945</u>	<u>\$ 2,325,403</u>	<u>\$ 1,472,255</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.

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 Defined Benefit Plan (PERF DB) is a cost-sharing multiple-employer defined benefit plan and provides retirement, disability, and survivor benefits to plan members. PERF DB is administered through the Indiana Public Retirement System (INPRS) Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the District authority to contribute to the plan.

The Public Employees' Hybrid Plan (PERF Hybrid) consists of two components: PERF DB, the employer-funded monthly defined benefit component, and the Public Employees' Hybrid Members Defined Contribution Account, the defined contribution component.

The Retirement Savings Plan for Public Employees (My Choice) is a multiple-employer defined contribution plan. It is administered through the INPRS Board in accordance with state statutes (IC 5-10.2 and IC 5-10.3) and administrative code (35 IAC 1.2), which govern most requirements of the system and give the District authority to contribute to the plan.

New employees hired have a one-time election to join either the PERF Hybrid or the My Choice.

Financial Report

INPRS 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. (844) 464-6777

LIBERTY REGIONAL WASTEWATER DISTRICT
NOTES TO FINANCIAL STATEMENTS
(Continued)

Contributions

Members' contributions are set by state statute at 3 percent of compensation for both the defined contribution component of PERF Hybrid and My Choice. The employer may elect to make the contribution on behalf of the member of the defined contribution component of PERF Hybrid and My Choice members may receive additional employer contribution in lieu of the PERF DB. Contributions to the PERF DB are determined by INPRS Board based on actuarial valuation.

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OTHER INFORMATION - UNAUDITED

The District's Annual Financial Reports information can be found on the Indiana Gateway for Government Units 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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The other information presented was approved by management of the District. It is presented as intended by the District.

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LIBERTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2018

	PAYROLL	SEWAGE OPERATING	SEWAGE UTL BOND & INT	SEWAGE DEBT SERVICE	SEWAGE WORKS	Totals
Cash and investments - beginning	\$ -	\$ 1,017,959	\$ 15,312	\$ 281,776	\$ 39,546	\$ 1,354,593
Receipts:						
Utility fees	-	1,626,413	-	-	-	1,626,413
Other receipts	180,446	4,072	310,240	16,808	12,460	524,026
Total receipts	180,446	1,630,485	310,240	16,808	12,460	2,150,439
Disbursements:						
Personal services	180,446	180,446	-	-	-	360,892
Other services and charges	-	28,782	-	-	-	28,782
Debt service - principal and interest	-	-	307,778	-	-	307,778
Capital outlay	-	10,939	-	-	-	10,939
Utility operating expenses	-	953,430	-	-	-	953,430
Other disbursements	-	392,898	-	-	5,600	398,498
Total disbursements	180,446	1,566,495	307,778	-	5,600	2,060,319
Excess (deficiency) of receipts over disbursements	-	63,990	2,462	16,808	6,860	90,120
Cash and investments - ending	\$ -	\$ 1,081,949	\$ 17,774	\$ 298,584	\$ 46,406	\$ 1,444,713

LIBERTY REGIONAL WASTEWATER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH
 AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2019

	PAYROLL	SEWAGE OPERATING	SEWAGE UTL BOND & INT	SEWAGE DEBT SERVICE	SEWAGE WORKS	Totals
Cash and investments - beginning	\$ -	\$ 1,081,949	\$ 17,774	\$ 298,584	\$ 46,406	\$ 1,444,713
Receipts:						
Utility fees	-	1,622,914	-	-	-	1,622,914
Other receipts	178,923	209,672	311,023	18,532	11,881	730,031
Total receipts	178,923	1,832,586	311,023	18,532	11,881	2,352,945
Disbursements:						
Personal services	178,923	178,922	-	-	-	357,845
Other services and charges	-	28,789	-	-	-	28,789
Debt service - principal and interest	-	-	307,867	-	-	307,867
Capital outlay	-	11,037	-	-	-	11,037
Utility operating expenses	-	1,016,831	-	-	-	1,016,831
Other disbursements	-	565,356	-	-	37,678	603,034
Total disbursements	178,923	1,800,935	307,867	-	37,678	2,325,403
Excess (deficiency) of receipts over disbursements	-	31,651	3,156	18,532	(25,797)	27,542
Cash and investments - ending	\$ -	\$ 1,113,600	\$ 20,930	\$ 317,116	\$ 20,609	\$ 1,472,255

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2019

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Wastewater	-	247,598
Totals	\$ -	\$ 247,598

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2019

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Wastewater:			
Revenue bonds	2001 Construction Bond	\$ 480,000	\$ 168,305
Revenue bonds	2004 Construction Bond	81,000	18,696
Revenue bonds	2010 Re-Construction and Maintenance	1,754,000	60,552
Revenue bonds	2015 Construction Bond	<u>824,000</u>	<u>60,180</u>
Total Wastewater		<u>3,139,000</u>	<u>307,733</u>
Totals		<u>\$ 3,139,000</u>	<u>\$ 307,733</u>

LIBERTY REGIONAL WASTEWATER DISTRICT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2019

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:	
Total governmental activities	\$ <u>-</u>
Wastewater:	
Land	169,647
Infrastructure	9,669,775
Buildings	340,031
Improvements other than buildings	212,540
Machinery, equipment, and vehicles	<u>548,328</u>
Total Wastewater	<u>10,940,321</u>
Total capital assets	<u>\$ <u>10,940,321</u></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/>.