

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

FINANCIAL STATEMENT AUDIT REPORT

OF

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT

NEWTON COUNTY, INDIANA

January 1, 2019 to December 31, 2019



FILED
09/29/2020

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Sherrí Rainford	01-01-19 to 12-31-20
President of the District Board	Randy Decker	01-01-19 to 12-31-20



INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Newton County Regional Water and Sewer District (District), which comprises the financial position and results of operations for the year ended December 31, 2019, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement 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 the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement 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 statement.

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 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 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 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 statement referred to above does 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 year ended December 31, 2019.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2019, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

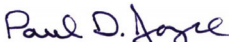
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the District's financial 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 auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated September 22, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.


Paul D. Joyce, CPA
State Examiner

September 22, 2020

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.

NEWTON COUNTY REGIONAL WATER AND SEWER 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
FEDERAL GRANTS OPERATING	\$ 92,633	\$ 1,101,251	\$ 915,423	\$ 278,461
PAYROLL	-	195,735	195,735	-
PLANT 2-WASTEWATER UTILITY OPERATING	920,701	886,196	1,586,329	220,568
SEWER SENIOR BOND & INTEREST	245,595	691,643	424,168	513,070
SEWER SENIOR DEBT SERVICE RESERVE	698,093	14,985	-	713,078
SEWER JUNIOR BOND & INTEREST	285,933	5,800	38,038	253,695
2017 A-2 SEWAGE WORKS CONSTRUCTION ACCOUNT	-	520,038	486,352	33,686
2017 B SEWAGE WORKS CONSTRUCTION ACCOUNT	-	4,093,452	4,093,452	-
PLANT 1- Water Operating	(80,352)	923,574	555,281	287,941
WATER SENIOR BOND & INTEREST	49,887	215,935	142,600	123,222
WATER SENIOR DEBT SERVICE RESERVE	50,874	48,303	-	99,177
WATER JUNIOR BOND & INTEREST	80,535	1,219	36,553	45,201
2017 B WATERWORKS CONSTRUCTION ACCOUNT	499,621	5,923	484,049	21,495
Totals	<u>\$ 2,843,520</u>	<u>\$ 8,704,054</u>	<u>\$ 8,957,980</u>	<u>\$ 2,589,594</u>

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

NEWTON 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 a 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:

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 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.

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

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. 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. 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.

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

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 4. 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.

Note 5. 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:

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

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (844) 464-6777

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.

OTHER INFORMATION - UNAUDITED

The District's Annual Financial Report 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 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 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.

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, 2019

	FEDERAL GRANTS OPERATING	PAYROLL	PLANT 2-WASTEWATER UTILITY OPERATING	SEWER SENIOR BOND & INTEREST	SEWER SENIOR DEBT SERVICE RESERVE
Cash and investments - beginning	\$ 92,633	\$ -	\$ 920,701	\$ 245,595	\$ 698,093
Receipts:					
Utility fees	-	-	604,218	-	-
Other receipts	1,101,251	195,735	281,978	691,643	14,985
Total receipts	1,101,251	195,735	886,196	691,643	14,985
Disbursements:					
Personal services	-	-	129,531	-	-
Other services and charges	-	-	24,362	-	-
Debt service - principal and interest	-	-	-	424,168	-
Capital outlay	915,423	-	12,302	-	-
Utility operating expenses	-	-	484,828	-	-
Other disbursements	-	195,735	935,306	-	-
Total disbursements	915,423	195,735	1,586,329	424,168	-
Excess (deficiency) of receipts over disbursements	185,828	-	(700,133)	267,475	14,985
Cash and investments - ending	\$ 278,461	\$ -	\$ 220,568	\$ 513,070	\$ 713,078

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, 2019

	SEWER JUNIOR BOND & INTEREST	2017 A-2 SEWAGE WORKS CONSTRUCTION ACCOUNT	2017 B SEWAGE WORKS CONSTRUCTION ACCOUNT	PLANT 1- Water Operating	WATER SENIOR BOND & INTEREST
Cash and investments - beginning	\$ 285,933	\$ -	\$ -	\$ (80,352)	\$ 49,887
Receipts:					
Utility fees	-	-	-	843,088	-
Other receipts	5,800	520,038	4,093,452	80,486	215,935
Total receipts	5,800	520,038	4,093,452	923,574	215,935
Disbursements:					
Personal services	-	-	-	50,237	-
Other services and charges	-	-	-	14,655	-
Debt service - principal and interest	38,038	-	-	-	142,600
Capital outlay	-	486,352	3,586,385	-	-
Utility operating expenses	-	-	-	232,499	-
Other disbursements	-	-	507,067	257,890	-
Total disbursements	38,038	486,352	4,093,452	555,281	142,600
Excess (deficiency) of receipts over disbursements	(32,238)	33,686	-	368,293	73,335
Cash and investments - ending	\$ 253,695	\$ 33,686	\$ -	\$ 287,941	\$ 123,222

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, 2019

	WATER SENIOR DEBT SERVICE RESERVE	WATER JUNIOR BOND & INTEREST	2017 B WATERWORKS CONSTRUCTION ACCOUNT	Totals
Cash and investments - beginning	\$ 50,874	\$ 80,535	\$ 499,621	\$ 2,843,520
Receipts:				
Utility fees	-	-	-	1,447,306
Other receipts	48,303	1,219	5,923	7,256,748
Total receipts	48,303	1,219	5,923	8,704,054
Disbursements:				
Personal services	-	-	-	179,768
Other services and charges	-	-	-	39,017
Debt service - principal and interest	-	36,553	-	641,359
Capital outlay	-	-	484,049	5,484,511
Utility operating expenses	-	-	-	717,327
Other disbursements	-	-	-	1,895,998
Total disbursements	-	36,553	484,049	8,957,980
Excess (deficiency) of receipts over disbursements	48,303	(35,334)	(478,126)	(253,926)
Cash and investments - ending	\$ 99,177	\$ 45,201	\$ 21,495	\$ 2,589,594

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2019

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Sewer	\$ 13,232	\$ 125,851
Water	<u>93,248</u>	<u>77,900</u>
Totals	<u>\$ 106,480</u>	<u>\$ 203,751</u>

NEWTON COUNTY REGIONAL WATER AND SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2019

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Sewer:			
Revenue bonds	Construction of Wastewater Improvements 2017-B	\$ 6,223,000	\$ 280,460
Revenue bonds	Construction of Wastewater Improvements A-2	3,265,000	95,290
Revenue bonds	Construction of Wastewater Improvements A-1	430,000	436,320
Revenue bonds	Construction of Wastewater Improvements A-3	<u>7,547,000</u>	<u>152,930</u>
Total Sewer		<u>17,465,000</u>	<u>965,000</u>
Water:			
Revenue bonds	Construction of Water Works Improvement 2017-B	1,777,000	79,540
Revenue bonds	Construction of Water Works Improvements A1	153,000	147,340
Revenue bonds	Construction of Water Works Improvements A2	<u>3,305,000</u>	<u>68,090</u>
Total Water		<u>5,235,000</u>	<u>294,970</u>
Totals		<u>\$ 22,700,000</u>	<u>\$ 1,259,970</u>

NEWTON COUNTY REGIONAL WATER AND SEWER 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>
Sewer:	
Machinery, equipment, and vehicles	\$ 32,252
Construction in progress	<u>16,780,377</u>
Total Sewer	<u>16,812,629</u>
Water:	
Land	9
Machinery, equipment, and vehicles	44,907
Construction in progress	<u>7,974,005</u>
Total Water	<u>8,018,921</u>
Total capital assets	<u>\$ 24,831,550</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/>.