

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

FINANCIAL STATEMENT AUDIT REPORT

OF

ADAMS COUNTY REGIONAL SEWER DISTRICT

ADAMS COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED
01/25/2022

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Barry Scherer	01-01-20 to 12-31-22
Treasurer	Nathan Rumschlag	01-01-20 to 12-31-22
President of the District Board	Shannon Smitley	01-01-20 to 12-31-22



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE ADAMS COUNTY REGIONAL
SEWER DISTRICT, ADAMS COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Adams County Regional Sewer District (District), which comprises the financial position and results of operations for the year ended December 31, 2020, 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. 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, 2020.


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, 2020, 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.


Paul D. Joyce, CPA
State Examiner

January 19, 2022

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.

ADAMS COUNTY REGIONAL SEWER DISTRICT
 STATEMENT OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2020

Fund	Cash and Investments 01-01-20	Receipts	Disbursements	Cash and Investments 12-31-20
Operating Fund	\$ 135,260	\$ 879,580	\$ 943,876	\$ 70,964
Debt Service Reserve Fund	25,473	21,165	-	46,638
Short-Lived Asset Reserve Fund	47,250	21,000	10,747	57,503
Sinking Fund- Bond and Interest	-	46,441	-	46,441
Operation and Maintenance Fund	-	33,817	-	33,817
Construction Fund	-	1,972,589	1,972,589	-
Totals	<u>\$ 207,983</u>	<u>\$ 2,974,592</u>	<u>\$ 2,927,212</u>	<u>\$ 255,363</u>

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

ADAMS COUNTY REGIONAL 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.

ADAMS COUNTY REGIONAL 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.

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.

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.

ADAMS COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Subsequent Events

The State Revolving Fund (SRF) Loan Program will provide the District \$9,880,000 in additional funding in 2021.

The District received notice in February of 2021 that 3 potential customers had filed a lawsuit against the District because the customers refused to connect to the new sewer system. The litigation is pending, and potential settlement terms are ongoing. Legal fees associated with the pending litigation are unknown at the time of this audit report.

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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.

ADAMS COUNTY REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2020

	Operating Fund	Debt Service Reserve Fund	Short-Lived Asset Reserve Fund	Sinking Fund- Bond and Interest
Cash and investments - beginning	\$ 135,260	\$ 25,473	\$ 47,250	\$ -
Receipts:				
Utility fees	292,430	-	-	-
Other receipts	<u>587,150</u>	<u>21,165</u>	<u>21,000</u>	<u>46,441</u>
Total receipts	<u>879,580</u>	<u>21,165</u>	<u>21,000</u>	<u>46,441</u>
Disbursements:				
Personal services	58,045	-	-	-
Other services and charges	6,465	-	-	-
Debt service - principal and interest	93,488	-	-	-
Capital outlay	503,382	-	-	-
Utility operating expenses	146,098	-	10,747	-
Other disbursements	<u>136,398</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>943,876</u>	<u>-</u>	<u>10,747</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(64,296)</u>	<u>21,165</u>	<u>10,253</u>	<u>46,441</u>
Cash and investments - ending	<u>\$ 70,964</u>	<u>\$ 46,638</u>	<u>\$ 57,503</u>	<u>\$ 46,441</u>

ADAMS COUNTY REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS,
 AND CASH AND INVESTMENT BALANCES -
 REGULATORY BASIS
 For the Year Ended December 31, 2020

	Operation and Maintenance Fund	Construction Fund	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 207,983
Receipts:			
Utility fees	-	-	292,430
Other receipts	<u>33,817</u>	<u>1,972,589</u>	<u>2,682,162</u>
Total receipts	<u>33,817</u>	<u>1,972,589</u>	<u>2,974,592</u>
Disbursements:			
Personal services	-	-	58,045
Other services and charges	-	-	6,465
Debt service - principal and interest	-	-	93,488
Capital outlay	-	-	503,382
Utility operating expenses	-	-	156,845
Other disbursements	-	<u>1,972,589</u>	<u>2,108,987</u>
Total disbursements	<u>-</u>	<u>1,972,589</u>	<u>2,927,212</u>
Excess (deficiency) of receipts over disbursements	<u>33,817</u>	<u>-</u>	<u>47,380</u>
Cash and investments - ending	<u>\$ 33,817</u>	<u>\$ -</u>	<u>\$ 255,363</u>

ADAMS COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2020

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Adams County Regional Sewer District	<u>\$ -</u>	<u>\$ 14,562</u>

ADAMS COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2020

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Adams County Regional Sewer District:			
Notes and loans payable	Promissory Note- Adams County Government	\$ 250,000	\$ -
Notes and loans payable	Promissory Note- Adams County Government	90,000	-
Notes and loans payable	Promissory Note- Adams County Government	160,000	-
Revenue bonds	Sewage Works Revenue Bonds, Series 2016A	2,371,000	87,156
Revenue bonds	Sewage Works Revenue Bonds, Series 2016B	157,000	5,521
Revenue bonds (1)	Sewage Works Revenue Bond Anticipation Note, Series 2020	1,972,589	-
Totals		\$ 5,000,589	\$ 92,677

Note:

(1) The entire balance of the bond will be forgiven on March 31, 2023, provided the District meets State Revolving Fund (SRF) Program requirements.

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2020

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:	
Infrastructure	\$ 4,808,923
Machinery, equipment, and vehicles	<u>23,418</u>
Total capital assets	<u><u>\$ 4,832,341</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/>.