

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT

OF

ST. JOSEPH COUNTY REGIONAL
WATER AND SEWER DISTRICT

ST. JOSEPH COUNTY, INDIANA

January 1, 2020 to December 31, 2020



FILED

01/24/2024



STATE OF INDIANA
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January 24, 2024

To: The Officials of the St. Joseph County Regional Water and Sewer District
St. Joseph County Regional Water and Sewer District
St. Joseph County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of St. Joseph 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, 2020 to December 31, 2020. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of St. Joseph County Regional Water and Sewer District as of December 31, 2020, and the results of its operations for the period then ended, on the basis of accounting described in the report.

We call your attention to the finding included in the report on pages 21 and 22. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 23.

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.

A handwritten signature in black ink that reads "Tammy R. White". The signature is written in a cursive style.

Tammy R. White, CPA
Deputy State Examiner

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
St. Joseph County, Indiana

FINANCIAL STATEMENT
December 31, 2020

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ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2020

<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Jessica Clark	01-01-20 to 12-31-20
President of the District Board	Barry Skalski	01-01-20 to 12-31-20

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
St. Joseph County Regional Water & Sewer District
St. Joseph County, Indiana

Report on the Audit of the Financial Statement***Opinion***

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of the St. Joseph County Regional Water & Sewer District (the "District") as of and for the year ended December 31, 2020, and the related notes (the financial statement).

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement presents fairly, in all material respects, the cash and investment balances of the District as of December 31, 2020, 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.

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 section of our report, 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 of the District as of December 31, 2020, or changes in net position for the year then ended.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of the 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) as described in Note 1, and 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 Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

(Continued)

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise the District's financial statement. The accompanying Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and are not a required part of the financial statement. The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement as a whole.

Other Information

Management is responsible for the other information included with the financial statement. The other information comprises the Schedule of Officials, Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets, and State Reporting Information, but does not include the financial statement and our auditor's report thereon. Our opinion on the financial statement does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statement, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2024, our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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.


Crowe LLP

Indianapolis, Indiana
January 10, 2024

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
As of December 31, 2020 and for the period January 1, 2020 through December 31, 2020

<u>Fund</u>	Cash and Investments <u>01-01-20</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-20</u>
Wastewater Utility WYATT - Bond and Interest	\$ 15,778	\$ 32,833	\$ 15,111	\$ 33,500
Wastewater Utility WYATT - Debt Service Reserve	18,311	-	-	18,311
Wastewater Utility GENERAL - Operation & Maintenance	3,483	136,324	129,599	10,208
Wastewater Utility Wyatt - Construction	6,054	-	6,054	-
Wastewater Utility AUTEN - Operation & Maintenance	5,835	43,480	29,560	19,755
Wastewater Utility Carriage Hills Operating Fund	85,780	4,236,705	4,189,231	133,254
Wastewater Utility GRANGER - Operation & Maintenance	36,380	539,234	522,997	52,617
Wastewater Utility WYATT - Operation & Maintenance	6,187	196,546	221,764	(19,031)
Wastewater Utility GRANGER - Debt Service Reserve	183,596	903	-	184,499
Wastewater Utility GRANGER - Bond & Interest	166,199	178,816	176,534	168,481
Wastewater Utility Carriage Hills - Debt Service	-	-	-	-
Wastewater Utility Carriage Hills - DSR	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Totals	<u>\$ 527,603</u>	<u>\$ 5,364,841</u>	<u>\$ 5,290,850</u>	<u>\$ 601,594</u>

See accompanying notes to financial statement.

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The District was established under the laws of the State of Indiana. The District operates under an appointed governing board.

The accompanying financial statement presents the financial information for the District.

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 basis of accounting also requires presentation of certain information as Other Information.

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.

Penalties. Amounts received from late payment fees.

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:

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 District. It includes all expenditures for the reduction of the principal and interest of the District general obligation indebtedness including lease agreements.

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 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.

(Continued)

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 Districts and, therefore, the funds cannot be used for any expenditures of the District 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 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 Districts.

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

The District has purchased insurance to address the risks described above.

NOTE 4 - CASH BALANCE DEFICITS

The Wastewater Utility Wyatt Operation & Maintenance fund contains a cash deficit balance for calendar year ending 2020. The deficit in this fund was the result of disbursements exceeding receipts due to under-estimating current requirements for the fund. The deficit is to be prepaid from future receipts.

OTHER INFORMATION (Unaudited)

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

	Wastewater Utility WYATT Bond and Interest	Wastewater Utility WYATT Debt Service Reserve	Wastewater Utility GENERAL Operation & Maintenance	Wastewater Utility Wyatt Construction	Wastewater Utility AUTEN Operation & Maintenance	Wastewater Utility Carriage Hills Operating Fund	Wastewater Utility GRANGER Operation & Maintenance	Wastewater Utility WYATT Operation & Maintenance	Wastewater Utility GRANGER Debt Service Reserve	Wastewater Utility GRANGER Bond & Interest	Totals
Cash and investments - beginning	\$ 15,778	\$ 18,311	\$ 3,483	\$ 6,054	\$ 5,835	\$ 85,780	\$ 36,380	\$ 6,187	\$ 183,596	\$ 166,199	\$ 527,603
Receipts:											
Utility fees	-	-	-	-	41,371	87,051	528,482	182,388	-	-	839,292
Penalties	-	-	-	-	2,004	-	10,613	7,978	-	-	20,595
Other receipts	32,833	-	136,324	-	105	4,149,654	139	6,180	903	178,816	4,504,954
Total receipts	32,833	-	136,324	-	43,480	4,236,705	539,234	196,546	903	178,816	5,364,841
Disbursements:											
Other services and charges	-	-	15,043	-	-	-	-	-	-	-	15,043
Debt service - principal and interest	15,111	-	-	-	-	55,957	-	17,290	-	176,534	264,892
Capital outlay	-	-	-	-	-	4,092,317	-	-	-	-	4,092,317
Utility operating expenses	-	-	85,761	-	23,141	7,751	295,522	144,558	-	-	556,733
Other disbursements	-	-	28,795	6,054	6,419	33,206	227,475	59,916	-	-	361,865
Total disbursements	15,111	-	129,599	6,054	29,560	4,189,231	522,997	221,764	-	176,534	5,290,850
Excess (deficiency) of receipts over disbursements	17,722	-	6,725	(6,054)	13,920	47,474	16,237	(25,218)	903	2,282	73,991
Cash and investments - ending	\$ 33,500	\$ 18,311	\$ 10,208	\$ -	\$ 19,755	\$ 133,254	\$ 52,617	\$ (19,031)	\$ 184,499	\$ 168,481	\$ 601,594

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2020

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ -
Wastewater Utility	<u>-</u>	<u>28,775</u>
Totals	<u>\$ -</u>	<u>\$ 28,775</u>

ST. JOSEPH COUNTY REGIONAL WATER AND SEWER DISTRICT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2020

<u>Type</u>	<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Interest Due Within One Year</u>
Wastewater Utility:			
Revenue bonds	Sewage Works Revenue Bonds of 2009	\$ 295,000	\$ 8,000
Revenue bonds	Sewage Works Revenue Bonds of 2011	1,745,000	140,000
Revenue bonds	Sewage Works Revenue Bonds of 2020	<u>2,780,166</u>	<u>25,000</u>
Total Wastewater Utility		<u>4,820,166</u>	<u>173,000</u>
Totals		<u>\$ 4,820,166</u>	<u>\$ 173,000</u>

ST. JOSEPH COUNTY REGIONAL WATER AND 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>Balance</u>
Governmental activities:	
Total governmental activities	\$ <u> -</u>
Wastewater Utility:	
Infrastructure	8,464,707
Buildings	1,665,000
Machinery, equipment, and vehicles	<u> 623,282</u>
Total Wastewater Utility	<u> 10,752,989</u>
Total capital assets	<u>\$ 10,752,989</u>

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
STATE REPORTING INFORMATION
December 31, 2020

The reports presented herein were prepared in addition to another official report prepared for the District as listed below:

Indiana State Board of Accounts Compliance Examination of St. Joseph County Regional Water & 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*.

SUPPLEMENTARY INFORMATION

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2020

<u>Federal Grantor Agency</u> <u>Cluster Title/Program Title/Project Title</u>	<u>Pass-Through Entity or Direct Grant</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity (or Other) Identifying Number</u>	<u>Total Federal Awards Expended</u>	<u>Total Passed Through to Subrecipient</u>
<u>Department of Agriculture</u> Water and Waste Disposal Systems For Rural Communities	United States Department of Agriculture	10.760	N/A	\$ <u>2,009,935</u>	\$ _____ -
Total – Department of Agriculture				\$ <u>2,009,935</u>	\$ _____ -

See accompanying notes to the schedule of expenditure of federal awards.

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2020

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of St. Joseph County Regional Water & Sewer District (the "District") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the District.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expensed when the reimbursement is received.

NOTE 2 - INDIRECT COST RATE

The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Those Charged with Governance
St. Joseph County Regional Water & Sewer District
St. Joseph County, Indiana

We have audited, in accordance with the 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, the financial statement of St. Joseph County Regional Water & Sewer District ("District"), which comprise the statement of receipts, disbursements, and cash and investment balances of the District as of and for the year ended December 31, 2020 and the related notes to the financial statement, which collectively comprise the District's financial statement, and have issued our report thereon dated January 10, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to the Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned cost. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Crowe LLP

Indianapolis, Indiana
January 10, 2024

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Those Charged with Governance
St. Joseph County Regional Water & Sewer District
St. Joseph County, Indiana

Report on Compliance for Major Federal Program***Opinion on Major Federal Program***

We have audited St. Joseph County Regional Water & Sewer District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the District's major federal program for the year ended December 31, 2020. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Basis for Opinion on Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

(Continued)

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

(Continued)

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Crowe LLP
Crowe LLP

Indianapolis, Indiana
January 10, 2024

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2020

Section I – Summary of Auditor’s Results

Financial Statement

Type of auditors report issued Adverse as to GAAP, Unmodified as to regulatory basis

Internal control over financial reporting

Material weakness(es) identified?	<u> X </u>	Yes	<u> </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Noncompliance material to Financial Statement noted?	<u> </u>	Yes	<u> X </u>	No
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Federal Awards

Internal control over major programs

Material weakness(es) identified?	<u> </u>	Yes	<u> X </u>	No
Significant deficiencies identified not considered to be material weaknesses?	<u> </u>	Yes	<u> X </u>	None Reported

Type of auditor’s report issued on compliance for major programs	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	<u> </u>	Yes	<u> X </u>	No
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Identification of major programs

<u>ALN Number</u> 10.760	<u>Name of Federal Program or Cluster</u> Water and Waste Disposal Systems for Rural Communities
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Dollar threshold used to distinguish between Type A and Type B programs	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	<u> </u>	Yes	<u> X </u>	No
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(Continued)

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

Section II – Financial Statement Findings

FINDING 2020-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

Criteria: The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . . There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduce here for reference purposes:

- Accurate and timely recording of transactions. . . ."

2 CFR 200.508 states in part:

"The auditee must: . . .

(b) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards.* The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

(1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within a cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

(Continued)

ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2020

Section II – Financial Statement Findings (Continued)

(2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.

(3) Provide total Federal awards expended for each individual Federal program and the assistance listing number (ALN) or other identifying number when the ALN information is not available. For a cluster of programs also provide the total for the cluster.

(4) Include the total amount provided to subrecipients from each Federal program.

(5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.

(6) Include notes that describe that significant accounting policies used in preparing the schedule and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs."

Condition: The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Cause: Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Districts financial reporting system was the source of the SEFA. In the District's submission for the year ended December 31, 2020, the District reported \$0 as federally expended for the year.

However, the District should have reported its expenditures of \$2,009,935 pertaining to the USDA Water and Waste Disposal Systems for Rural Communities (10.760) program for the year ended December 31, 2020.

Audit adjustments were proposed, accepted by the District, and made to the SEFA to correct the issue noted above. The District had no other federal expenditures to report on the SEFA for the year ended December 31, 2020.

Effect: Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the error identified in the Context section.

Identification as a repeat finding, if applicable: Yes. This is a repeat finding from the 2019 report.

Recommendation: We recommended that the District's management establish a formal preparation and review process over the SEFA to ensure amounts are accurately reported. The District should establish a documented, secondary review to ensure the amounts reported on the SEFA agree to the federal expenditures or outstanding loan balance (when applicable) at December 31 each year.

Views of Responsible Officials and Planned Corrective Actions: Management agrees with the finding and has prepared a corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None to report



ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT

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CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS

December 31, 2020

FINDING 2020-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

Condition: The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Districts financial reporting system was the source of the SEFA. In the District's submission for the year ended December 31, 2020, the District reported \$0 as federally expended for the year.

However, the District should have reported its expenditures of \$2,009,935 pertaining to the USDA Water and Waste Disposal Systems for Rural Communities (10.760) program for the year ended December 31, 2020.

Audit adjustments were proposed, accepted by the District, and made to the SEFA to correct the issue noted above. The District had no other federal expenditures to report on the SEFA for the year ended December 31, 2020.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Procedures and processes of internal controls over the preparation will be implemented.

Responsible Party and Timeline for Completion: Board Treasurer. Effective immediately.

MEMBERS

Don Smessaert <i>President</i>	Roger Nawrot <i>Vice President / Secretary</i>	Jessica Clark <i>Treasurer</i>	Mike Dobson <i>Member</i>	Mark Espich <i>Member</i>	Patrick Matthews <i>Member</i>	Paul Wunderlich <i>Member</i>	Jacob Klosinski <i>Ex Officio Trustee</i>
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ST. JOSEPH COUNTY REGIONAL WATER & SEWER DISTRICT

227 West Jefferson Boulevard, Seventh Floor, South Bend, Indiana 46601
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SUMMARY SCHEDULE OF PRIOR YEAR FINDING

December 31, 2020

FINDING 2019-001

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness

Condition: The District did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA).

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Districts financial reporting system was the source of the SEFA. In the District's submission for the year ended December 31, 2019, the District reported \$0 as federally expended for the year.

However, the District should have reported its expenditures of \$850,445 pertaining to the USDA Water and Waste Disposal Systems for Rural Communities (10.760) program for the year ended December 31, 2019.

Audit adjustments were proposed, accepted by the District, and made to the SEFA to correct the issue noted above. The District had no other federal expenditures to report on the SEFA for the year ended December 31, 2019.

Status: Not resolved. Recurring finding in the 2020 report.

MEMBERS

Don Smessaert <i>President</i>	Roger Nawrot <i>Vice President / Secretary</i>	Jessica Clark <i>Treasurer</i>	Mike Dobson <i>Member</i>	Mark Espich <i>Member</i>	Patrick Matthews <i>Member</i>	Paul Wunderlich <i>Member</i>	Jacob Klosinski <i>Ex Officio Trustee</i>
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