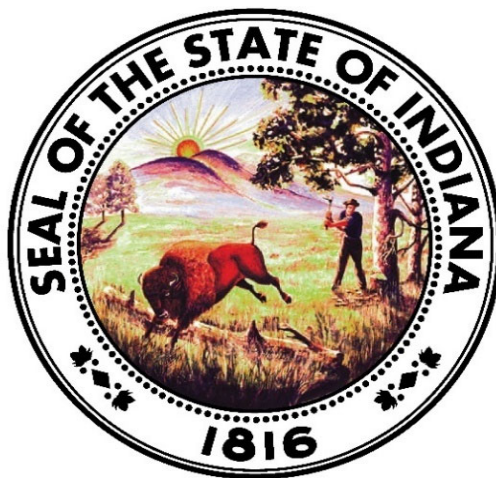


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

FINANCIAL STATEMENT AND
FEDERAL COMPLIANCE AUDIT REPORT
OF
ADAMS COUNTY REGIONAL SEWER DISTRICT
ADAMS COUNTY, INDIANA
January 1, 2023 to December 31, 2023



FILED
10/08/2024



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDIANAPOLIS, INDIANA 46204-2769

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October 8, 2024

To: The Officials of the Adams County Regional Sewer District
Adams County Regional Sewer District
Adams County, Indiana

As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Adams County Regional Sewer District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2023 to December 31, 2023. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Adams County Regional Sewer District as of December 31, 2023, 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 22 and 23. Please see the Schedule of Findings and Questioned Costs for complete details related to the finding. Management's Corrective Action Plan appears on page 24.

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

In addition to the report presented herein, a Supplemental Audit Report for Adams County Regional Sewer District was prepared 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, flowing style.

Tammy R. White, CPA
Deputy State Examiner

ADAMS COUNTY REGIONAL SEWER DISTRICT
Adams County, Indiana

FINANCIAL STATEMENT
December 31, 2023

ADAMS COUNTY REGIONAL SEWER DISTRICT
Adams County, Indiana

FINANCIAL STATEMENT
December 31, 2023

CONTENTS

SCHEDULE OF OFFICIALS (Unaudited)	1
INDEPENDENT AUDITOR'S REPORT	2
FINANCIAL STATEMENT	
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	5
NOTES TO FINANCIAL STATEMENT.....	6
OTHER INFORMATION (Unaudited)	
COMBINING SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES – REGULATORY BASIS.....	9
SCHEDULE OF PAYABLES AND RECEIVABLES.	10
SCHEDULE OF LEASES AND DEBT.....	11
SCHEDULE OF CAPITAL ASSETS.....	12
STATE REPORTING INFORMATION	13
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	14
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	15
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 <i>GOVERNMENT AUDITING STANDARDS</i>	16
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE.....	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF OFFICIALS (Unaudited)
December 31, 2023

<u>Office</u>	<u>Official</u>	<u>Term</u>
Superintendent	Nathan Scherer	01-01-23 to 12-31-23
Treasurer	Nathan Rumschlag	01-01-23 to 12-31-23
President of the District Board	Shannon Smitley	01-01-23 to 12-31-23

INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance
Adams County Regional Sewer District
Adams County, Indiana

Opinions

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of the Adams County Regional Sewer District (the Unit) as of and for the year ended December 31, 2023, and the related notes to 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 Unit as of December 31, 2023, 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 below does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Unit as of December 31, 2023, or changes in net position or cash flows thereof for the year then ended.

Basis for Opinions

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 Unit, 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 Unit 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 and pervasive.

(Continued)

Emphasis of Matter

As discussed in Note 4 to the financial statement, an error in the prior year was discovered by management of the Unit during the current year. An adjustment has been made to the opening cash balance as of January 1, 2023, to correct the error. Our opinions are not modified with respect to this matter.

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 Unit'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 Unit'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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the Unit'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 is not a required part of the financial statement.

(Continued)

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 as a whole on the basis of accounting described in Note 1.

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 August 27, 2024, on our consideration of the Unit'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 Unit'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 Unit's internal control over financial reporting and compliance.


Crowe LLP

Indianapolis, Indiana
August 27, 2024

ADAMS COUNTY REGIONAL SEWER DISTRICT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND
INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2023

<u>Fund</u>	Cash and Investments <u>01-01-23</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-23</u>
Operating Fund	295,526	1,043,002	1,042,504	296,024
Debt Service Reserve Fund	101,339	41,554	-	142,893
Short-Lived Asset Reserve Fund	149,033	84,547	-	233,580
Sinking Fund - Bond and Interest 2016 A & B	46,618	92,598	92,960	46,256
Operation and Maintenance Fund	33,817	-	-	33,817
Sinking Fund - Bond and Interest 2021 Bond	40,394	178,907	114,938	104,363
Project 3 State SRF	-	35,912	35,912	-
Project 4 Federal SRF SWIF	-	1,821,608	1,821,608	-
Project 4 State SRF WAF	-	173,368	173,368	-
Project 4 Adams County ARPA Grant	16,661	-	16,661	-
Project 5 2022 State SRF BAN	-	1,443,840	1,443,840	-
Project 5 2022 Revenue Bond Fund	<u>3,007,203</u>	<u>140,930</u>	<u>-</u>	<u>3,148,133</u>
 Totals	 <u>\$ 3,690,591</u>	 <u>\$ 5,056,266</u>	 <u>\$ 4,741,791</u>	 <u>\$ 4,005,066</u>

See Independent Auditor's Report and notes to the financial statement.

ADAMS COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Basis of Accounting: The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred. The 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.

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: local income tax, federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Other receipts. Amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

Disbursements: Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements include the following uses:

Personal services. Amounts disbursed for salaries, wages, and related employee benefits provided for all persons employed. In those Units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Other services and charges. Amounts disbursed for services including, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

(Continued)

ADAMS COUNTY REGIONAL SEWER DISTRICT
NOTES TO FINANCIAL STATEMENT
December 31, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Debt service principal and interest. Amounts disbursed for fixed obligations resulting from financial transactions previously entered into by the Unit. It includes all expenditures for the reduction of the principal and interest of the Unit general obligation indebtedness 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.

Interfund Transfers: The Unit may, from time to time, make transfers from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

Fund Accounting: Separate funds are established, maintained, and reported by the Unit. Each fund is used to account for amounts received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Unit. The amounts accounted for in a specific fund may only be available for use for certain, legally-restricted purposes. Additionally, some funds are used to account for assets held by the Unit in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and, therefore, the funds cannot be used for any expenditures of the Unit itself.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund (PDIF). This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Unit to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. At December 31, 2023, the Unit held investments in government securities totaling \$3,402,336.

(Continued)

ADAMS COUNTY REGIONAL SEWER DISTRICT
 NOTES TO FINANCIAL STATEMENT
 December 31, 2023

NOTE 3 - RISK MANAGEMENT

The Unit may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; 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 Unit to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. The Unit has purchased insurance to address the risks described above.

NOTE 4 - RESTATEMENT

For the year ended December 31, 2023, a change has been made to one of the beginning fund balances of the financial statement to correct an error in the Unit's financial activity. The Unit had a bond issuance in late December 2022 that had proceeds placed in an external trust account in 2022. The Unit did not record the proceeds on their internal records and the annual financial report until 2023. The error resulted in an unreported new fund, Project 5 2022 Revenue Bond Fund, and in an understatement of that fund's cash and investment balances and understatement of that fund's receipts for the year ended December 31, 2022. The Unit's total cash balances increased from an originally reported balance of \$683,388 to restated opening balance of \$3,690,591.

The following schedule presents a summary of the restated beginning balance:

<u>Fund Name</u>	Cash and Investments Balance as of 1/1/2023	Prior Period Adjustment	Restated Cash and Investments Balance as of 1/1/2023
Operating Fund	\$ 295,526	\$ -	\$ 295,526
Debt Service Reserve Fund	101,339	-	101,339
Short-Lived Asset Reserve Fund	149,033	-	149,033
Sinking Fund - Bond and Interest 2016 A & B	46,618	-	46,618
Operation and Maintenance Fund	33,817	-	33,817
Sinking Fund - Bond and Interest 2021 Bond	40,394	-	40,394
Project 4 Adams County ARPA Grant	16,661	-	16,661
Project 5 2022 Revenue Bond Fund	-	3,007,203	3,007,203
Totals	<u>\$ 683,388</u>	<u>\$ 3,007,203</u>	<u>\$ 3,690,591</u>

OTHER INFORMATION (Unaudited)

ADAMS COUNTY REGIONAL SEWER DISTRICT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND
 INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2023

	Operating Fund	Debt Service Reserve Fund	Short-Lived Asset Reserve Fund	Sinking Fund - Bond and Interest 2016 A & B	Operation and Maintenance Fund	Sinking Fund - Bond and Interest 2021 Bond	Project 3 State SRF	Project 4 Federal SRF SWIF	Project 4 State SRF WAF	Project 4 Adams County ARPA Grant	Project 5 2022 State SRF BAN	Project 5 2022 Revenue Bond Fund	Totals
Cash and investments - beginning	\$ 295,526	\$ 101,339	\$ 149,033	\$ 46,618	\$ 33,817	\$ 40,394	\$ -	\$ -	\$ -	\$ 16,661	\$ -	\$ 3,007,203	\$ 3,690,591
Prior period adjustment													
Receipts:													
Utility fees	907,534	-	-	-	-	-	-	-	-	-	-	-	907,534
Intergovernmental	60,000	-	-	-	-	-	35,912	1,821,608	173,368	-	1,443,840	-	3,534,728
Other receipts	75,468	41,554	84,547	92,598	-	178,907	-	-	-	-	-	140,930	614,004
Total receipts	1,043,002	41,554	84,547	92,598	-	178,907	35,912	1,821,608	173,368	-	1,443,840	140,930	5,056,266
Disbursements:													
Personal services	229,702	-	-	-	-	-	-	-	-	-	-	-	229,702
Other services and charges	21,159	-	-	-	-	-	-	-	-	-	-	-	21,159
Debt service - principal and interest	9,626	-	-	92,960	-	114,938	-	-	-	-	-	-	217,524
Capital outlay	104,198	-	-	-	-	-	35,912	1,821,608	173,368	16,636	1,443,150	-	3,594,872
Utility operating expenses	279,252	-	-	-	-	-	-	-	-	25	690	-	279,967
Other disbursements	398,567	-	-	-	-	-	-	-	-	-	-	-	398,567
Total disbursements	1,042,504	-	-	92,960	-	114,938	35,912	1,821,608	173,368	16,661	1,443,840	-	4,741,791
Excess (deficiency) of receipts over disbursements	498	41,554	84,547	(362)	-	63,969	-	-	-	(16,661)	-	140,930	314,475
Cash and investments - ending	\$ 296,024	\$ 142,893	\$ 233,580	\$ 46,256	\$ 33,817	\$ 104,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,148,133	\$ 4,005,066

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2023

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Adams County Regional Sewer District	\$ -	\$ 39,071

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF LEASES AND DEBT
December 31, 2023

<u>Type</u>	<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal Due Within One Year</u>
Adams County Regional Sewer District:			
Revenue bonds	Sewage Works Revenue Bond Anticipation Note Series 2020	\$ 2,185,535	\$ -
Revenue bonds	Sewage Works Revenue Bond Anticipation Note Series 2021	7,684,974	-
Revenue bonds	Sewage Works Revenue Bond Series 2016A	2,266,000	36,000
Revenue bonds	Sewage Works Revenue Bond Series 2016B	151,000	2,000
Revenue bonds	Sewage Works Revenue Bond Series 2021	1,822,000	39,000
Revenue bonds	Sewage Works Revenue Bond Series 2022	3,141,000	66,000
Revenue bonds	SRF Principal Forgiveness BAN	<u>1,443,150</u>	<u>-</u>
Total Adams County Regional Sewer District		<u>18,693,659</u>	<u>143,000</u>
Totals		<u>\$ 18,693,659</u>	<u>\$ 143,000</u>

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF CAPITAL ASSETS
December 31, 2023

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>
Adams County Regional Sewer District:	
Infrastructure	\$ 23,470,879
Machinery, equipment, and vehicles	<u>124,432</u>
Total Adams County Regional Sewer District	<u>23,595,311</u>
Total capital assets	<u>\$ 23,595,311</u>

ADAMS COUNTY REGIONAL SEWER DISTRICT
STATE REPORTING INFORMATION
December 31, 2023

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

Indiana State Board of Accounts Compliance Examination of Adams County Regional 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

ADAMS COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year ended December 31, 2023

<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 Treasury</u> Coronavirus State and Local Fiscal Recovery Funds	Indiana Finance Authority	21.027	SWIF210101	\$ 1,821,608	\$ -
	Adams County, Indiana	21.027		<u>16,661</u>	<u>-</u>
Total – Department of Treasury				<u>\$ 1,838,269</u>	<u>\$ -</u>

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

ADAMS COUNTY REGIONAL SEWER DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year ended December 31, 2023

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Adams County Regional Sewer District (the "Unit") under programs of the federal government for the year ended December 31, 2023. 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 Unit, it is not intended to and does not present the receipts, disbursements, and cash and investment balances – regulatory basis of the Unit.

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 Unit 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
Adams County Regional Sewer District
Adams 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 Adams County Regional Sewer District ("Unit"), which comprise the statement of receipts, disbursements, and cash and investment balances of the Unit as of and for the year ended December 31, 2023 and the related notes to the financial statement, which collectively comprise the Unit's financial statement, and have issued our report thereon dated August 27, 2024.

Report On Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Unit'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 Unit's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unit'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 2023-001 that we consider to be a material weakness.

(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Unit'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*.

Unit's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Unit's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Unit's responses were 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
August 27, 2024



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

Those Charged with Governance
Adams County Regional Sewer District
Adams County, Indiana

Report on Compliance for Major Federal Program

Opinion on Major Federal Program

We have audited of Adams County Regional Sewer District's (the Unit) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Unit's major federal program for the year ended December 31, 2023. The Unit'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 Unit 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, 2023.

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 Unit 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 Unit'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 Unit'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 Unit'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 Unit'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 Unit'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 Unit'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 Unit'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
August 27, 2024

ADAMS COUNTY REGIONAL SEWER DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 December 31, 2023

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	_____	No
Significant deficiencies identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None Reported
Noncompliance material to Financial Statement noted?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	Yes	<u> X </u>	No
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Identification of major programs:

<u>ALN Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee?	_____	Yes	<u> X </u>	No
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(Continued)

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings

FINDING 2023-001

Subject: Preparation of the Annual Financial Report
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, ..."

Condition: The Unit did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Annual Financial Report (AFR).

Cause: Management had not established a system of internal control that would have ensured proper reporting of the AFR. Management incorrectly considered the bond proceeds received to not be earned by the Unit until the proceeds were spent on construction activity.

Context: The AFR entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the Statement of Receipts, Disbursements, and Cash and investment Balances – Regulatory Basis (the financial statement). The AFR was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors in the financial statement:

- 1) The opening January 1, 2023, cash balance was understated by \$3,007,203 for a bank account that was incorrectly omitted in the prior December 31, 2022 report. The bank account held bond proceeds that were received in December 2022, but not previously reported by the Unit as of December 31, 2022. A prior period adjustment was posted as of January 1, 2023 to record the \$3,007,203 in cash held by the Unit.

(Continued)

ADAMS COUNTY REGIONAL SEWER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2023

Section II – Financial Statement Findings (Continued)

- 2) The Unit incorrectly recorded the \$3,007,203 in bond proceeds as a receipt for the year ended December 31, 2023. Receipts for the year ended December 31, 2023 were overstated by \$3,007,203.

Audit adjustments were proposed, accepted by the Unit, and made to the financial statement to correct the issues noted above.

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

Identification as a repeat finding, if applicable: No.

Recommendation: We recommended that the Unit's management establish a formal review over the AFR financial statement submission to ensure amounts reported are accurate and agree to all underlying bank statements and reconciliation. The Unit should work with their bond and loan issuers anytime new bonds or loans are issued to determine the proper reporting of the funding received.

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.

CORRECTIVE ACTION PLAN OF CURRENT AUDIT FINDINGS
December 31, 2023

Finding 2023-001 – Preparation of the Annual Financial Report

Contact Person Responsible for Corrective Action: Rebecca Cochran
Contact Phone Number: X 260-728-9233

- Rebecca Cochran enters the data into Gateway but the final submission is done by the board president, Shannon Smitley, after his final review.

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan: Jane Kaverman and Brooke Hindenlang will formally review the AFR so that pieces of the data missing would be caught and to ensure all activity is appropriately reported on the AFR. Any new funding sources will be analyzed to ensure all activity associated with the new funding sources are appropriately reported on the AFR.

Anticipated Completion Date: 12/31/24 AFR

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2022-001

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

Context: The federal grant information entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the SEFA. In the Unit's submission for the year ended December 31, 2022, the Unit reported \$0 as federally expended for the year.

However, the Unit spent funding on two pass-through grants from the Coronavirus State and Local Fiscal Recovery Funds (21.027) program for the year ended December 31, 2022 that were not reported on the SEFA. The total spent for the year ended December 31, 2022, was \$2,677,710.

Audit adjustments were proposed, accepted by the Unit, and made to the SEFA to correct the issue noted above. The Unit had no other federal expenditures to report on the SEFA for the year ended December 31, 2022.

Status: Resolved, controls were implemented to ensure the SEFA was accurately reported.

FINDING 2022-002

Subject: Preparation of the Annual Financial Report
Audit Findings: Material Weakness

Context: The AFR entered and submitted in the Indiana Gateway for Government Units financial reporting system was the source of the Statement of Receipts, Disbursements, and Cash and investment Balances – Regulatory Basis (the financial statement). The AFR was reviewed prior to submission. However, it was not reviewed in enough detail to prevent the following errors in the financial statement:

For the year ended December 31, 2022, receipts and disbursements were overstated by \$3,133,455. The overstatement occurred due to the double counting of construction activity in the operating and construction funds. The net impact on ending December 31, 2022 cash was \$0.

Audit adjustments were proposed, accepted by the Unit, and made to the financial statement to correct the issues noted above.

Status: Not resolved, an AFR control deficiency was noted in finding 2023-001. The finding reoccurred due to a non-standard transaction occurring that was not reported correctly. To correct the finding, the District will involve other individuals to review the AFR to ensure any missing data is caught.