

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

ALLEN COUNTY REGIONAL WATER  
AND SEWER DISTRICT  
ALLEN COUNTY, INDIANA

January 1, 2016 to December 31, 2016



**FILED**  
09/20/2017



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-5
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with <i>Government Auditing Standards</i> .....	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	10
Notes to Financial Statement .....	11-13
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	16
Schedule of Payables and Receivables .....	17
Schedule of Leases and Debt .....	18
Schedule of Capital Assets.....	19
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance .....	22-23
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards.....	26
Notes to Schedule of Expenditures of Federal Awards .....	27
Schedule of Findings and Questioned Costs .....	28
Auditee-Prepared Document:	
Summary Schedule of Prior Audit Findings.....	30
Other Reports.....	31

### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Director	Kenneth Neumeister (deceased)	01-01-16 to 04-15-17
	Erika Beachem (acting)	04-16-17 to 06-27-17
	Jeffrey Morris	06-28-17 to 12-31-17
Treasurer	Win Rood	01-01-16 to 12-31-18
President of the Board	Ric Zehr	01-01-15 to 12-31-17
Office Administrator	Laura Spuller	01-01-16 to 04-01-16
	Deborah Fee	04-02-16 to 01-30-17
	(Vacant)	01-31-17 to 03-14-17
	Erika Beachem	03-15-17 to 12-31-17



## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statement**

We have audited the accompanying financial statement of the Allen County Regional Water and Sewer District (District), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement as listed in the Table of Contents.

### ***Management's Responsibility for the Financial Statement***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

As discussed in Note 1 to the financial statement, the District prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the District for the year ended December 31, 2016.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the District for the year ended December 31, 2016, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information 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 itself, 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 taken as a whole.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the District's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 17, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

August 17, 2017



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Allen County Regional Water and Sewer District (District), which comprises the financial position and results of operations for the year ended December 31, 2016, and the related notes to the financial statement, and have issued our report thereon dated August 17, 2017, wherein we noted the District followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

**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) to determine the 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statement will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.


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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statement is free of 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 determination of financial statement amounts. 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*.

**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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

August 17, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

The financial statement and accompanying notes were approved by management of the District. The financial statement and notes are presented as intended by the District.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2016

Fund	Cash and Investments 01-01-16	Receipts	Disbursements	Cash and Investments 12-31-16
Allen County Regional Water & Sewer District Debt Service Reserve	\$ 656,076	\$ 92,167	\$ -	\$ 748,243
Allen County Regional Water & Sewer District Bond & Interest	516,685	1,561,110	1,508,774	569,021
Allen County Regional Water & Sewer District Construction	44,768	7,382,577	7,382,573	44,772
Allen County Regional Water & Sewer District Operating	1,231,191	2,580,744	3,010,738	801,197
Allen County Regional Water & Sewer District Payroll	104	-	-	104
Allen County Regional Water & Sewer District Improvement	546,386	-	-	546,386
Allen County Regional Water & Sewer District Rate Stabilization	-	2,000,831	-	2,000,831
Totals	<u>\$ 2,995,210</u>	<u>\$ 13,617,429</u>	<u>\$ 11,902,085</u>	<u>\$ 4,710,554</u>

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

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

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

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

*Utility fees.* Amounts received from charges for current services.

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

*E. Disbursements*

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

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

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

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

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

*Capital outlay.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

*Other disbursements.* Amounts disbursed for various other purposes including, but not limited to, the following: interfund loan payments; loans made to other funds; internal service disbursements; and transfers out that are authorized by statute, ordinance, resolution, or court order.

**F. Interfund Transfers**

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

**G. Fund Accounting**

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

**Note 2. Deposits and Investments**

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

State statutes authorize the District to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

**Note 3. Risk Management**

The District may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the District to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

**Note 4. Subsequent Events**

*Future SRF Funding*

The District was awarded \$7,244,244 in State Revolving Fund (SRF) loans on March 9, 2017, to finance new sewer construction and improvements. The SRF loan agreement consists of the following: 2017 Junior Sewage Works Revenue Bonds for \$4,240,000, 2017 Taxable Sewage Works Bond Anticipation Note (BAN) Series A for \$2,000,000, and 2017 Taxable Sewage Works BAN Series B for \$1,004,244. The 2017 Taxable Sewage Works Bond Anticipation Note (BAN) Series A for \$2,000,000 will become forgivable providing terms are met.

*Rate Ordinances*

The District approved Sewage Rate Ordinance 2015-12-1 and the related Amendment 2016-4-27 that authorizes a four-year rate plan. The plan incrementally increases and consolidates rates for service areas. The plan is effective on the first day of the year in 2016, 2017, 2018, and 2019.

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#### OTHER INFORMATION - UNAUDITED

The District's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the District's Annual Financial Report referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2016

	Allen County Regional Water & Sewer District Debt Service Reserve	Allen County Regional Water & Sewer District Bond & Interest	Allen County Regional Water & Sewer District Construction	Allen County Regional Water & Sewer District Operating	Allen County Regional Water & Sewer District Payroll	Allen County Regional Water & Sewer District Improvement	Allen County Regional Water & Sewer District Rate Stabilization	Totals
Cash and investments - beginning	\$ 656,076	\$ 516,685	\$ 44,768	\$ 1,231,191	\$ 104	\$ 546,386	\$ -	\$ 2,995,210
Receipts:								
Utility fees	-	-	-	2,580,569	-	-	-	2,580,569
Other receipts	92,167	1,561,110	7,382,577	175	-	-	2,000,831	11,036,860
Total receipts	92,167	1,561,110	7,382,577	2,580,744	-	-	2,000,831	13,617,429
Disbursements:								
Personal services	-	-	-	134,148	-	-	-	134,148
Other services and charges	-	-	-	16,414	-	-	-	16,414
Debt service - principal and interest	-	770,311	-	-	-	-	-	770,311
Capital outlay	-	-	7,382,573	1,179,946	-	-	-	8,562,519
Utility operating expenses	-	-	-	767,035	-	-	-	767,035
Other disbursements	-	738,463	-	913,195	-	-	-	1,651,658
Total disbursements	-	1,508,774	7,382,573	3,010,738	-	-	-	11,902,085
Excess (deficiency) of receipts over disbursements	92,167	52,336	4	(429,994)	-	-	2,000,831	1,715,344
Cash and investments - ending	\$ 748,243	\$ 569,021	\$ 44,772	\$ 801,197	\$ 104	\$ 546,386	\$ 2,000,831	\$ 4,710,554

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2016

<u>Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Allen County Regional Water & Sewer District	<u>\$ 82,693</u>	<u>\$ 135,783</u>

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2016

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Revenue bonds	2007 Revenue Bonds	\$ 1,074,194	\$ 104,653
Revenue bonds	2008 Revenue Bonds	2,165,000	200,398
Revenue bonds	2012 Refunding Revenue Bonds	865,000	172,600
Revenue bonds	2012 Revenue Bonds Series A	4,567,000	269,000
Revenue bonds	2012 Revenue Bonds Series B	105,000	15,000
Revenue bonds	2016 Revenue Bonds Series A	1,632,000	46,500
Revenue bonds	2016 Revenue Bonds Series B	3,448,000	69,950
Revenue bonds	2016 Forgivable BAN (1)	5,000,000	-
Revenue bonds	2016 Taxable Revenue Bonds Series C	<u>2,000,000</u>	<u>51,880</u>
Total governmental activities		<u>\$ 20,856,194</u>	<u>\$ 929,981</u>

Note:

(1) Debt to be forgiven and discharged September 15, 2020.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2016

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	<u>Ending Balance</u>
Governmental activities:	
Land	\$ 92,199
Infrastructure	30,429,648
Buildings	18,200
Machinery, equipment, and vehicles	<u>5,526,950</u>
Total capital assets	<u>\$ 36,066,997</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

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

We have audited the Allen County Regional Water and Sewer District's (District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2016. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on the Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
(Continued)


**Report on Internal Control over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

  
Paul D. Joyce, CPA  
State Examiner

August 17, 2017

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the District. The schedule and notes are presented as intended by the District.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended December 31, 2016

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW14270205B	\$ -	\$ 6,783,000
Total - Clean Water State Revolving Fund Cluster				-	6,783,000
Total - Environmental Protection Agency				<u>\$ -</u>	<u>\$ 6,783,000</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the District under programs of the federal government for the year ended December 31, 2016. The information in the SEFA 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 SEFA presents only a select portion of the operations of the District, it is not intended to and does not present the financial position of the District.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The District has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

ALLEN COUNTY REGIONAL WATER AND SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I - Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weakness identified?	no
Significant deficiency identified?	none reported
Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	no

Identification of Major Program and type of auditor's report issued on compliance for it:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Clean Water State Revolving Fund Cluster	Unmodified

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

Auditee qualified as low-risk auditee?	no
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**Section II - Financial Statement Findings**

No matters are reportable.

**Section III - Federal Award Findings and Questioned Costs**

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

The subsequent document was provided by management of the District. The document is presented as intended by the District.



**ALLEN COUNTY REGIONAL WATER & SEWER DISTRICT**

**POST OFFICE BOX 11888**

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2015-001 FINANCIAL TRANSACTIONS AND REPORTING

Fiscal year in which the finding initially occurred: 2015

Contact Person Responsible for Correction Action: Win F. Rood, Treasurer

Contact Phone Number: 260.427.2696

Status of Audit Finding: Corrected. Prior finding stated District did not have effective internal controls over preparation of the Annual Financial Report and ledger to ensure proper reporting.

Beginning in 2017, the Allen County Regional Water and Sewer District (the District) implemented changes to ensure better internal controls as follows:

1. Checks and Balances. Monthly finance reports are to be incorporated into monthly administrative duties of the District Office Administrator. Further, these reports are to be signed off by a member of the appointed Finance Committee prior to presentative to the Board of Trustees at monthly meeting. Reports will be required to include a report from the general ledger and a Gateway report for comparison.
2. Formerly Defined Process. The District will consult with the external accounting firm (UMBAUGH) to define internal and external accounting and reporting processes to ensure all accounts are included in both the Gateway inputs and General Ledger.
3. Reconciliation and Documentation of all SRF accounts at Bank of New York to include in defined process.

The District has implemented the above controls immediately after CAP and the controls are currently in place and working.

X *Win F Rood*

Date: 08/17/2017

Win F. Rood  
Treasurer

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the District. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.