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January 31, 2020

Board of Trustees  
Summit Springs Regional Waste District  
P.O. Box 56  
Sulphur Springs, IN 47388


As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Summit Springs Regional Waste District. We have reviewed the audit report opined upon by Crowe LLP, Independent Public Accountants, for the period January 1, 2018 to December 31, 2018. Per the *Independent Auditor's Report*, the financial statements included in the report present fairly the financial condition of Summit Springs Regional Waste District as of December 31, 2018, 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 findings in the report on pages 18 through 20. Please see the Schedule of Findings and Questioned Costs for complete details related to the findings.

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

In addition to the report presented herein, a Supplemental Report for Summit Springs Regional Waste District was prepared for the period January 1, 2018 to December 31, 2018, 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.

  
Paul D. Joyce, CPA  
State Examiner

**SUMMIT SPRINGS REGIONAL WASTE DISTRICT**  
Henry County, Indiana

**FINANCIAL STATEMENTS**  
December 31, 2018

SUMMIT SPRINGS REGIONAL WASTE DISTRICT

FINANCIAL STATEMENTS  
December 31, 2018

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SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
SCHEDULE OF OFFICIALS (Unaudited)  
December 31, 2018

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Patricia Yapp	01-01-18 to 12-31-18
President of the Board	Betty Gipe	01-01-18 to 12-31-18

## INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance  
Summit Springs Regional Waste District  
Decatur, Indiana

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Summit Springs Regional Waste District (the Unit) as of and for the year ended December 31, 2018, and the related notes (the financial statements).

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

Management is responsible for the preparation and fair presentation of these financial statements 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. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements 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 statements are free from material misstatement.

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

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 statements, the Unit prepares its financial statements 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.

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(Continued)

The effects on the financial statements 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 statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Unit as of December 31, 2018, or changes in net position or cash flows thereof for the year then ended.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the Unit as of December 31, 2018, 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.

#### ***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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, Schedule of Officials, and Supplementary Information Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

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 statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements 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 statements as a whole.

The Schedule of Official and Supplementary Information Schedules have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

#### **Report on Other Legal and Regulatory Requirement**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2019, on our consideration of the Unit's internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts and 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 Unit's internal control over financial reporting and compliance.

  
Crowe LLP

Indianapolis, Indiana  
December 18, 2019

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2018

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<u>Fund</u>	Cash and Investments <u>01-01-18</u>	<u>Receipts</u>	<u>Disbursements</u>	Cash and Investments <u>12-31-18</u>
Depreciation	\$ 18,537	\$ 43,432	\$ -	\$ 61,969
Farmers Home Administration	72,389	87,171	72,906	86,654
Improvement Fund	40,000	96	-	40,096
Operations	3,082	414,921	323,630	94,373
Pre Construction	-	1,748,615	1,748,615	-
Payroll Fund	-	73,043	73,043	-
	-	-	-	-
Totals	\$ 134,008	\$ 2,367,278	\$ 2,218,194	\$ 283,092

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See accompanying notes to financial statements.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity: The Summit Springs Regional Waste District (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 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:

*Charges for services.* Amounts received including, but not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable television receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

*Fines and forfeits.* Amounts received including receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

*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.

*Supplies.* Amounts disbursed for articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

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(Continued)

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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 Unit. It includes all expenditures for the reduction of the principal and interest of the Unit general obligation indebtedness.

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

*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, lease agreements, 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 - BUDGETS**

The operating budget is prepared and approved at the local level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana, at year end, should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund (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. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant. As of the year ended December 31, 2018, the Unit held investments in non-negotiable certificates of deposit. The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable.

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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**NOTE 4 - 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 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 5 - DEBT**

In 1980, the Unit issued a bond in the amount of \$434,000 for the purpose of establishing the sewer district. The bond was paid in full on February 28, 2018. The Unit made principal and interest payments during the year under audit.

In 2018, the Unit issued a USDA loan in the amount \$1,405,000 to help pay the cost of constructing the waste facilities. The first interest and principal payment was made on May 1, 2019.

**SUPPLEMENTAL SCHEDULES (Unaudited)**

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2018

	<u>Depreciation</u>	<u>Farmers Home Administration</u>	<u>Improvement Fund</u>	<u>Operations</u>	<u>Pre Construction</u>	<u>Payroll Fund</u>	<u>Totals</u>
Cash and investments - beginning	\$ 18,537	\$ 72,389	\$ 40,000	\$ 3,082	\$ -	\$ -	\$ 134,008
Receipts:							
Charges for services	-	-	-	290,648	-	-	290,648
Penalties	-	-	-	4,790	-	-	4,790
Other receipts	43,432	87,171	96	119,483	1,748,615	73,043	2,071,840
Total receipts	43,432	87,171	96	414,921	1,748,615	73,043	2,367,278
Disbursements:							
Personal services	-	-	-	73,043	-	73,043	146,086
Supplies	-	-	-	12,935	-	-	12,935
Other services and charges	-	-	-	94,461	-	-	94,461
Debt service - principal and interest	-	72,906	-	21,718	-	-	94,624
Capital outlay	-	-	-	-	1,748,615	-	1,748,615
Other disbursements	-	-	-	121,473	-	-	121,473
Total disbursements	-	72,906	-	323,630	1,748,615	73,043	2,218,194
Excess (deficiency) of receipts over disbursements	43,432	14,265	96	91,291	-	-	149,084
Cash and investments - ending	\$ 61,969	\$ 86,654	\$ 40,096	\$ 94,373	\$ -	\$ -	\$ 283,092

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2018

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<u>Government or Enterprise</u>	Accounts <u>Payable</u>	Accounts <u>Receivable</u>
Governmental activities	\$ <u>12,777</u>	\$ <u>68,754</u>
Totals	\$ <u>12,777</u>	\$ <u>68,754</u>

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2018

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<u>Type</u>	<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
Governmental activities:			
	Farmers Home Administration funding for construction of the waste facilities		
General obligation bonds		\$ 1,405,000	\$ 42,140
Totals		<u>\$ 1,405,000</u>	<u>\$ 42,140</u>

SUMMIT SPRINGS REGIONAL WASTE DISTRICT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2018

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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	\$ 120,488
Infrastructure	600,000
Buildings	1,144,850
Machinery, equipment, and vehicles	34,200
Construction in progress	<u>3,181,797</u>
 Total governmental activities	 <u>\$ 5,081,335</u>

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2018

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<b>Federal</b> <u>Pass-through/Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Amount</u>
<u>United States Department of Agriculture</u>		
Water and Waste Disposal Systems for Rural Communities		
Grant	10.760	\$ 1,748,614
Loan 92-03	10.760	<u>\$ 1,405,000</u>
 Total Federal Funding		 <u>\$ 3,153,614</u>

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

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year ended December 31, 2018

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**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Summit Springs County Regional Sewer District (the "Unit") under programs of the federal government for the year ended December 31, 2018. 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. The Unit has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 2 - FEDERAL LOANS DISBURSED**

In years after the program funds are expended and construction is completed, and the only ongoing financial activity of the program is the repayment of principal and interest on outstanding loan balances, the prior loan balances will not be considered to have continuing compliance requirements under 2 U.S. Code of Federal Regulations Part 200 section 502(d).

The balance of federal loans outstanding at December 31, 2018 was as follows:

Loan 92-03	\$ <u>1,405,000</u>
Total	\$ <u>1,405,000</u>

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

Those Charged with Governance  
Summit Springs Regional Sewer District  
Sulphur Springs, 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 statements of Summit Springs 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, 2018, and the related notes to the financial statements, and have issued our report thereon dated December 18, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Unit'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 statements, 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 statements 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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items (Finding 2018-001 and 2018-002) that we consider to be a material weakness.

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(Continued)

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Unit's financial statements are 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*.

## **Management's Response to Finding**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this 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 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  
December 18, 2019

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

Those Charged with Governance  
Summit Springs Regional Sewer District  
Sulphur Springs, Indiana

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

We have audited Summit Springs Regional Sewer District's (Unit) compliance with the types of compliance requirements described 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, 2018. 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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Unit's major federal programs 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 Unit'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 Unit's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Unit 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, 2018.

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(Continued)

## Report on Internal Control Over Compliance

Management of the Unit 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 Unit'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 an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with 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 Unit'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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Crowe LLP*  
Crowe LLP

Indianapolis, Indiana  
December 18, 2019

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 December 31, 2018

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**SECTION 1 - SUMMARY OF AUDITORS' RESULTS:**

***Financial Statements***

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 statements 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>CFDA 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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SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2018

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**SECTION 2 – FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Finding 2018-001 – REVIEW OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- 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: *"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. . . ."*
- Condition:** During our testing, we noted that the Unit did not implement a formal review of the Schedule of Expenditures of Federal Awards (SEFA).
- Context:** A SEFA was submitted via the Indiana Gateway system, but it was not reviewed by an independent party.
- Effect:** The lack of formal review of the SEFA could cause a material misstatement to be undetected.
- Cause:** The above condition appears to be the result of nobody being assigned to review the SEFA.
- Recommendation:** We recommend management implement a process to monitor and compile the expenditure of federal funding and the implementation of a secondary review of the SEFA to ensure financial and non-financial information is accurate and complete. We also recommend management reconcile federal grant expenses to federal grant revenue on the general ledger on a periodic basis to ensure general ledger activity is properly captured.
- Management's Response:** Management concurs with this finding. See the corrective action plan.

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2018

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**FINDING 2018-002 – SEGREGATION OF DUTIES**

<b>Criteria:</b>	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: "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. . . ."
<b>Condition:</b>	During testing, we noted that the Unit did not have adequate segregation of duties in the cash receipts cycle as the Treasurer performs all billing and cash collection activities. We noted that this is a repeat finding of 2017-002 in report B52544.
<b>Context:</b>	During inquiries with management and discussions over internal control procedures, it was discovered that one individual is responsible for all cash receipt activity with little oversight from the Board.
<b>Effect:</b>	The lack of segregation of duties could potentially lead to an uncorrected misstatement of the financial statements by a material amount.
<b>Cause:</b>	The above condition appears to be the result of a lack of controls over cash receipt processes.
<b>Recommendation:</b>	We recommend management implement controls to ensure there is adequate segregation of duties in the cash receipt process.
<b>Management's Response:</b>	Management concurs with this finding. See the corrective action plan.

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
December 31, 2018

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**SECTION 3 – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None to report.

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
PRIOR YEAR OF FINDINGS AND QUESTIONED COSTS  
December 31, 2018

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**FINDINGS RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED TO BE REPORTED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Finding 2017-001 – Amount of Federal Expenditures Reported**

**Description:** The initial amount of expenditures on the Schedule of Expenditures of Federal Awards did not include a USDA Loan amount of \$1,405,000.

**Status:** The finding was corrected in the current year.

**Finding 2017-002 – Segregation of Duties**

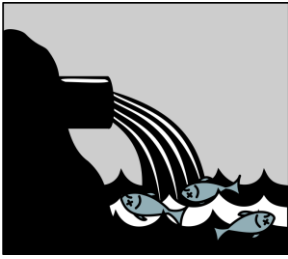
**Description:** During testing, we noted that the Unit did not have adequate segregation of duties in the cash receipts cycle as the Treasurer performs all billing and cash collection activities.

**Status:** Repeat finding. See Finding 2018-002.

SUMMIT SPRINGS REGIONAL SEWER DISTRICT  
EXIT CONFERENCE  
January 1, 2018 to December 31, 2018

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The contents of this report were discussed on Dec 18, 2019 with Patricia Yapp, Treasurer, and Betty Gipe, Board President. The officials acknowledged the findings. The Official Response has been made a part of this report and may be found immediately following the findings on the previous page.



# Summit Springs Regional Waste District

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Sulphur Springs IN 47388  
765-524-6470 Fax 765-533-4116

To Whom It May Concern:

## FINDING 2018-001: INTERNAL CONTROLS

Management and the Board of Directors have reviewed and acknowledged the finding as it is presented. Management plans to implement a secondary review by the District Board President of the SEFA to ensure financial and non-financial information is complete and accurate before the SEFA is submitted.

## FINDING 2018-002: SEGREGATION OF DUTIES:

The Secretary/Treasurer is the only employee to collect, post and deposit all payments for the District into the District checking account and to issue all disbursements.

It is with full knowledge, approval and consent of the governing board that these duties are carried out solely by the Secretary/Treasurer.

At each monthly board meeting, the Secretary/Treasurer gives each board member a copy of a Financial Report and a Monthly Budget report from the previous month and goes over the figures. Each board member examines the bank statements and reconciliation sheets from both checking accounts. A motion is then made, seconded and voted on to approve the statements and is put in the minutes. Each board member examines the Register of Vouchers where all disbursements are listed from the previous board meeting to the current one. Each board member present signs the Register of Vouchers. The Secretary/Treasurer also reports on any other reports she has filed or any other information pertinent to the cash collection activities and answers any questions.

Management is implementing one more item of approval beginning with the January, 2020 board meeting. Before each meeting, the District board President will review the Billing report from the previous month. Due to HIPPA privacy laws, these cannot be passed out since customer names and balances are contained in the report. It will be noted in the minutes that this process has been completed. In addition to that, at each meeting the Cash Summary Sheet from the Billing Report will be passed out to the board members with the total amount billed since it has no personal information on it.