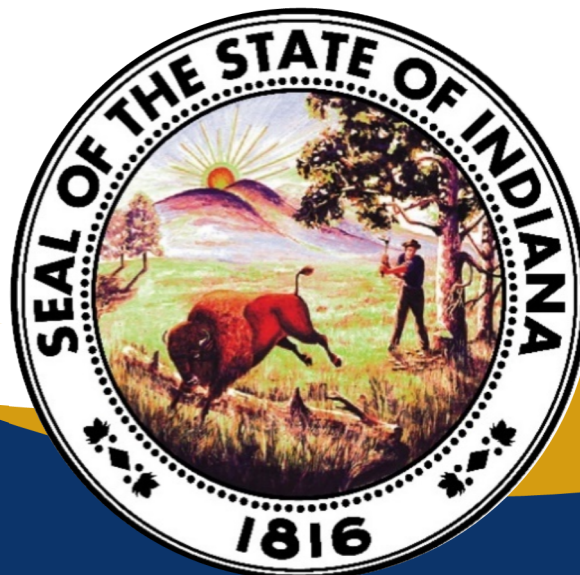


**STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769**

**Paul D. Joyce, CPA
State Examiner**

SUPPLEMENTAL COMPLIANCE REPORT
OF
FREELANDVILLE REGIONAL SEWER DISTRICT
KNOX COUNTY, INDIANA
January 1, 2024 to December 31, 2024



FILED

04/21/2025

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Office Manager	Jayne Ann Beeman	01-01-24 to 12-31-25
Treasurer	Scott Page	01-01-24 to 12-31-25
President of the District Board	Curt Kixmiller	01-01-24 to 12-31-25



Paul D. Joyce, CPA
State Examiner

INDIANA STATE BOARD OF ACCOUNTS

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TO: THE OFFICIALS OF THE FREELANDVILLE REGIONAL
SEWER DISTRICT, KNOX COUNTY, INDIANA

This report is supplemental to the audit report of the Freelandville Regional Sewer District (District), for the period from January 1, 2024 to December 31, 2024. It has been provided as a separate report so that the reader may easily identify any Audit Results and Comments that pertain to the District. It should be read in conjunction with the Financial Statement Audit Report of the District, which provides our opinions on the District's financial statement. This report may be found at www.in.gov/sboa/.

As authorized under Indiana Code 5-11-1, we performed procedures to determine compliance with applicable Indiana laws and uniform compliance guidelines established by the Indiana State Board of Accounts. The Audit Results and Comments contained herein describe the identified reportable instances of noncompliance found as a result of these procedures. Our tests were not designed to identify all instances of noncompliance; therefore, noncompliance may exist that is unidentified.

Any Official Response to the Audit Results and Comments, incorporated within this report, was not verified for accuracy.

Beth Kelley, CPA, CFE
Deputy State Examiner

April 9, 2025

FREELANDVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The same comment also appeared in prior Report 75483S.

Condition and Context

There were deficiencies in the District's internal control system related to financial transactions and reporting. The failure to establish a proper system of internal controls could enable material errors in the form of misstatements to occur and remain undetected and uncorrected.

The District did not have a proper system of internal controls in place over financial close and reporting to prevent, or detect and correct, errors. The Office Manager entered the information into the Annual Financial Report in the Indiana Gateway for Government Units financial reporting system, which was the source of the District's financial statement. There was no evidence of an oversight, review, or approval process to ensure the information was accurate or complete prior to submission.

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. . . ."

INTERNAL CONTROLS OVER COMPLIANCE

Condition and Context

Deficiencies in the District's system of internal controls resulted in the noncompliance over the annual financial report, capital assets, and compensation and benefits as detailed further in the comments below.

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:

FREELANDVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

"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. . . ."

ANNUAL FINANCIAL REPORT

A similar comment also appeared in prior Report 75483S, entitled *ANNUAL FINANCIAL REPORT - OTHER INFORMATION*.

Condition and Context

The Annual Financial Report (AFR) is required to be submitted annually via the Indiana Gateway for Government Units financial reporting system. The District filed the AFR as prescribed; however, internal controls over the financial data entered into the AFR, which was the source of the District's financial statement, were not established. The Office Manager prepared and submitted the financial data into the AFR. There was no evidence of an oversight, review, or approval process to ensure the information was accurate or complete prior to submission. Due to the lack of proper internal controls, the District's 2024 AFR contained the following errors:

Capital Assets

Due to the issues noted in the comment below entitled *CAPITAL ASSETS*, the amount reported by the District as capital assets in the 2024 AFR could not be verified. The District reported total capital assets of \$7,181,728 at December 31, 2024.

The financial reporting framework utilized by the District includes the option to present a Schedule of Capital Assets as Other Information in the Financial Statement Audit Report of the District. The District has elected not to present this schedule.

Criteria

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every audited entity financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner as set forth in the uniform compliance guidelines. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under [IC 5-14-3.8-7](#)."

FREELANDVILLE REGIONAL SEWER DISTRICT
AUDIT RESULTS AND COMMENTS
(Continued)

CAPITAL ASSETS

Condition and Context

The District did not have a complete, detailed listing of all capital assets owned, which reflected their acquisition value. The District's listing had not been updated to reflect all activity related to acquisitions and dispositions of capital assets. The only supporting documentation provided by the District was an insurance statement that listed the replacement value assigned to the District's assets. Additionally, the District was unable to provide evidence that a complete physical inventory had been conducted every two years as required.

Criteria

Every unit must have a capital assets policy that details the threshold at which an item is considered a capital asset. Every unit must have a complete detail listing of all capital assets owned which reflects their acquisition value. Capital Asset Ledger (Form 369) has been prescribed for this purpose. A complete physical inventory must be taken at least every two years, unless more stringent requirements exist, to verify account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

COMPENSTATION AND BENEFITS

A similar comment also appeared in prior Report 75483S, entitled *COMPENSATION AND BENEFITS*.

Condition and Context

The District paid one employee that received compensation and benefits throughout the audit period. The District Board did not adopt a salary ordinance, resolution, or salary schedule establishing the employee's compensation and benefits for the audit period.

In addition to the employee's regular salary, the District also made monthly Health Reimbursement Arrangement (HRA) payments directly to the employee. Under Internal Revenue Service (IRS) regulations, the District was only allowed to contribute funds to an HRA account for the employee's use or to reimburse the employee for allowed medical expenses paid by the employee. Additionally, the District had not established a formal HRA plan as required by the IRS. Accordingly, these payments could constitute a taxable fringe benefit, and the IRS should be contacted for further guidance.

Criteria

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution, or salary schedule adopted by the governing body unless otherwise authorized by law. Compensation must be paid in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

Units are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, court decisions, and filing requirements concerning reports and other procedural matters of federal and state agencies. Units must file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 1)

FREELANDVILLE REGIONAL SEWER DISTRICT
EXIT CONFERENCE

The contents of this report were discussed on April 9, 2025, with Jayne Ann Beeman, Office Manager; Curt Kixmiller, President of the District Board; and Justin Johanningsmeier, District Board member.