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January 31, 2020

Board of Trustees  
Freelandville Regional Sewer District  
7 Highway 149S, Freelandville Comm. Ctr.  
Freelandville, IN 47535


As authorized under Indiana Code 5-11-1, we engaged private examiners under our review to perform the audit of Freelandville Regional Sewer 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 Freelandville Regional Sewer 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 17 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 Freelandville Regional Sewer 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

**FREELANDVILLE REGIONAL SEWER DISTRICT**  
Knox County, Indiana

**FINANCIAL STATEMENTS**  
December 31, 2018

FREEDLANDVILLE REGIONAL SEWER DISTRICT

FINANCIAL STATEMENTS  
December 31, 2018

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FREELANDVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF OFFICIALS (Unaudited)  
December 31, 2018

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<u>Office</u>	<u>Official</u>	<u>Term</u>
Treasurer	Vaughn Hislip	01-01-18 to 12-31-18
Chairman of the Board	James Streeter	01-01-18 to 12-31-18

## INDEPENDENT AUDITOR'S REPORT

Those Charged with Governance  
Freelandville Regional Sewer District  
Freelandville, Indiana

**Report on the Financial Statement**

We have audited the accompanying statement of receipts, disbursements, and cash and investment balances of Freelandville Regional Sewer 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***

#### *Supplementary Information*


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 Officials 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 21, 2018, 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

FREELANDVILLE REGIONAL SEWER 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>
GENERAL	\$ 107,641	\$ 217,716	\$ 168,427	\$ 156,930
FRSD Construction	<u>39,693</u>	<u>416,921</u>	<u>405,178</u>	<u>51,436</u>
Totals	<u>\$ 147,334</u>	<u>\$ 634,637</u>	<u>\$ 573,605</u>	<u>\$ 208,366</u>

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See accompanying notes to financial statements.

FREELANDVILLE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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

Reporting Entity: The Freelandville Regional Sewer 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.

*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.

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

*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.

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.

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FREELANDVILLE REGIONAL SEWER DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2018

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

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

**NOTE 2 - DEPOSITS AND INVESTMENTS**

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

State statutes authorize the Unit to invest in securities including, but not limited to, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units. Given the limited investment parameters applicable under state statute, certain risks, such as credit, custodial, concentration, and interest rate are not deemed significant.

The Unit held cash deposits with financial institutions that maintained FDIC and PDIF coverages, as applicable. The Unit did not hold investments for any of the year under audit.

**NOTE 3 - RISK MANAGEMENT**

The Unit may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions and natural disasters. These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Unit to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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

**NOTE 4 - DEBT**

In 2016, the Unit issued revenue bonds in the amount of \$2,140,000 for the purpose of funding a treatment system project. The bonds mature on April 1, 2056. The Unit made interest payments during the year under audit.

**SUPPLEMENTAL SCHEDULES (Unaudited)**

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

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	<u>GENERAL</u>	<u>FRSD Construction</u>	<u>Totals</u>
Cash and investments - beginning	\$ 107,641	\$ 39,693	\$ 147,334
Receipts:			
Charges for services	199,471	-	199,471
Other receipts	<u>18,245</u>	<u>416,921</u>	<u>435,166</u>
Total receipts	<u>217,716</u>	<u>416,921</u>	<u>634,637</u>
Disbursements:			
Personal services	130,977	-	130,977
Capital outlay	-	405,178	405,178
Debt service- principal and interest	37,450		37,450
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>168,427</u>	<u>405,178</u>	<u>573,605</u>
Excess (deficiency) of receipts over disbursements	<u>49,289</u>	<u>11,743</u>	<u>61,032</u>
Cash and investments - ending	<u>\$ 156,930</u>	<u>\$ 51,436</u>	<u>\$ 208,366</u>

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FREELANDVILLE REGIONAL SEWER DISTRICT  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2018

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<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ <u>3,568</u>	\$ <u>885</u>

FREELANDVILLE REGIONAL SEWER 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:			
General obligation bonds	Construction of Freelandville Regional Sewer System	\$ 2,140,000	\$ 77,575
Totals		\$ 2,140,000	\$ 77,575

FREELANDVILLE REGIONAL SEWER 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	\$ 25,000
Buildings	2,328,000
Improvements other than buildings	3,788,150
Construction in progress	405,178
Books and other	<u>635,400</u>
Total governmental activities	<u>7,181,728</u>
Total capital assets	<u>\$ 7,181,728</u>

FREELANDVILLE 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		
Loans 01 and 03	10.760	\$ 2,140,000
Grant 02	10.760	<u>405,178</u>
Total Federal Expenditures		<u>\$ 2,545,178</u>

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

FREELANDVILLE 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 Freelandville 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. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State and Local Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. 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).

As of December 31, 2018, the Freelandville Regional Sewer District Project was ongoing. The amount presented on the Schedule represents the balance of the loans outstanding, which included a prior year balance of \$2,140,000.

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  
Freelandville Regional Sewer District  
Warsaw, 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 Freelandville 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, Finding 2018-002, and Finding 2018-003), that we consider to be material weaknesses.

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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 Responses to Findings**

The Unit's responses to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Unit's responses were 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  
Freelandville Regional Sewer District  
Warsaw, Indiana

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

We have audited Freelandville 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 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 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

Indianapolis, Indiana  
December 18, 2019

FREELANDVILLE 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

***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

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      \$ 750,000

Auditee qualified as low-risk auditee?	<u>      </u>	Yes	<u>  X  </u>	No
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FREELANDVILLE 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 – BANK ACCOUNT RECONCILIATION REVIEW**

<b>Criteria:</b>	Indiana Code 5-13-6-1(e) states, "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."
<b>Condition:</b>	During testing, we noted the Unit prepared bank reconciliations on a monthly basis. However, we noted there was no formal, documented review of these reconciliations.
<b>Context:</b>	A monthly reconciliation was prepared, but it was not review by an independent party.
<b>Effect:</b>	The lack of formal review of the bank reconciliation could cause a material misstatement to be undetected.
<b>Cause:</b>	The above condition appears to be the result of nobody being assigned to review the bank reconciliation.
<b>Recommendation:</b>	We recommend the board review and approve the monthly reconciliation and document their review in writing.
<b>Management's Response:</b>	Management concurs with this finding. See the corrective action plan

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

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**Finding 2018-002 – CONDITION OF RECORDS**

<b>Criteria:</b>	Chapter 1 of the Accounting and Uniform Compliance Guidelines Manual states in part, <i>“At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance must agree. If the reconciled bank balance is less than the subsidiary or control ledgers, the amount needed to balance may be the personal obligation of the responsible official or employee.”</i>
<b>Condition:</b>	During testing, we noted that the Unit did not record \$124,290 worth of disbursements in the general fund on the AFR.
<b>Context:</b>	The unit recorded the disbursements on the check register, but did not include disbursements on the AFR.
<b>Effect:</b>	The amount of disbursements reported in the general fund on the AFR was materially misstated.
<b>Cause:</b>	The above condition appears to be the result of human error.
<b>Recommendation:</b>	We also recommend management reconcile all recorded on the check register to the amount recorded as disbursed on the AFR.
<b>Management’s Response:</b>	Management concurs with this finding. See the corrective action plan

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

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**Finding 2018-003 – REVIEW OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

<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, <i>Uniform Internal Control Standards for Indiana Political Subdivisions</i> . 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: <i>"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. . . ."</i>
<b>Condition:</b>	During our testing, we noted that the Unit did not implement a formal review of the Schedule of Expenditures of Federal Awards (SEFA).
<b>Context:</b>	A SEFA was submitted via the Indiana Gateway system, but it was not reviewed by an independent party.
<b>Effect:</b>	The lack of formal review of the SEFA could cause a material misstatement to be undetected.
<b>Cause:</b>	The above condition appears to be the result of nobody being assigned to review the SEFA.
<b>Recommendation:</b>	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.
<b>Management's Response:</b>	Management concurs with this finding. See the corrective action plan

FREELANDVILLE 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.

FREELANDVILLE REGIONAL WASTE DISTRICT  
SCHEDULE OF PRIOR FINDINGS AND QUESTIONED COSTS  
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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 SEFA reported \$2,140,000, which represented the loan balance outstanding only and did not include grant funding received and expended during the year.

**Status:** Not repeated in the current year.

FREELANDVILLE REGIONAL WASTE DISTRICT  
EXIT CONFERENCE  
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The contents of this report were discussed on December 18, 2019, with Ada Sandusky, Office Manager, and Vaughn Hislip, Treasurer. The officials acknowledged the findings.



## Freelandville Regional Sewer District

Serving Freelandville with waste water treatment

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### Finding 2018-001 Bank Account Reconciliation

FRSD will include the monthly bank account reconciliation in the board packet and have the board formally document in the minutes that they have reviewed it. One board member will review the reconciliation before the meeting each month.

### Finding 2018-002 Condition of Records

FRSD will reconcile the check register to the amounts recorded as disbursed on the AFR each year before the AFR is submitted.

### Finding 2018-003 Internal Controls – SEFA

FRSD will have one board member review the SEFA each before it is submitted on the AFR to ensure all information included is complete and accurate.

Ada Mae Sandusky, Office Manager