

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF SUMMITVILLE  
MADISON COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
08/15/2014



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kelley Kornbroke	01-01-12 to 12-31-15
President of the Town Council	Bart Matney	01-01-12 to 12-31-14
Superintendent of Wastewater Utility	Tom Marshall	01-01-12 to 12-31-14
Town Marshal	Anthony Hendrick (Vacant) Jydell Cook (Interim)	01-01-12 to 11-25-13 11-26-13 to 12-22-13 12-23-13 to 12-31-14



**STATE OF INDIANA**  
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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE TOWN OF SUMMITVILLE, MADISON COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Summitville (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement.

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

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

***Auditor's Responsibility***

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013.

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

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2012 to December 31, 2013, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2014, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.


***Accompanying Information***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2014



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

TO: THE OFFICIALS OF THE TOWN OF SUMMITVILLE, MADISON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Summitville (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated June 18, 2014, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2013-001 and 2013-002 to be material weaknesses.



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

***Compliance and Other Matters***

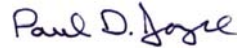
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings Questioned Costs as items 2013-001 and 2013-002.

***Town of Summitville's Response to Findings***

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement 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 and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town'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 Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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TOWN OF SUMMITVILLE  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 88,592	\$ 299,225	\$ 246,058	\$ 141,759	\$ 265,029	\$ 278,393	\$ 128,395
Motor Vehicle Highway	53,497	75,101	62,131	66,467	58,532	79,994	45,005
Local Road And Street	5,846	9,971	7,869	7,948	9,587	638	16,897
Economic Development Operating	225	-	-	225	-	-	225
Law Enforcement Continuing Ed	4,789	764	800	4,753	1,732	644	5,841
Main Street Development	51,000	-	-	51,000	-	-	51,000
Deferral Program Fund	-	-	-	-	1,913	-	1,913
Riverboat	61,091	77,050	39,286	98,855	45,728	-	144,583
Rainy Day	991	-	-	991	-	-	991
Police Equipment (Not Debt Service)	167	-	-	167	-	-	167
SRF Fund Match	42,000	-	-	42,000	-	28,000	14,000
Cumulative Capital Improvement	2,796	2,565	-	5,361	2,596	-	7,957
Community Center	428	2,060	1,040	1,448	970	2,274	144
War Memorial	1,909	-	-	1,909	-	25	1,884
Main Street Revitalization	-	521,176	348,119	173,057	54,752	163,680	64,129
Main Street Bond & Interest	-	30,813	8,801	22,012	4	19,250	2,766
Main Street Debt Service Reserve	-	39,078	-	39,078	41	-	39,119
Madison County Local Grant	-	15,000	-	15,000	-	14,706	294
Main Street Construction	4,642	-	-	4,642	-	-	4,642
Park And Recreation	3,605	11,919	5,293	10,231	11,896	8,637	13,490
Town Hall Construction	62	-	-	62	-	-	62
Payroll	2,485	155,693	154,194	3,984	156,472	156,614	3,842
Insurance-Other	21	-	-	21	-	-	21
Park Refundable Deposits	-	-	-	-	630	525	105
Slot Machine Fund	-	-	-	-	47,892	-	47,892
OCRA	-	-	-	-	339,654	339,653	1
Main Street Sinking	-	-	-	-	41,200	18,700	22,500
Wastewater Bond & Interest Fund	5,000	54,456	54,745	4,711	22,690	17,435	9,966
Wastewater Sinking Fund	5,053	21,300	21,300	5,053	8,875	8,504	5,424
Wastewater IDEM Permit	8,015	6,420	6,400	8,035	6,420	6,400	8,055
Wastewater Utility - Operating	39,660	226,793	223,256	43,197	247,214	256,740	33,671
Wastewater Refunding Bond Redemption	-	-	-	-	343,394	343,394	-
Wastewater SRF Bond & Interest	-	-	-	-	50,660	-	50,660
Wastewater SRF Debt Service Reserve	-	-	-	-	13,220	-	13,220
Wastewater SRF Construction	-	-	-	-	332,016	332,016	-
Sanitation	5,885	52,129	45,223	12,791	45,536	50,687	7,640
Totals	<u>\$ 387,759</u>	<u>\$ 1,601,513</u>	<u>\$ 1,224,515</u>	<u>\$ 764,757</u>	<u>\$ 2,108,653</u>	<u>\$ 2,126,909</u>	<u>\$ 746,501</u>

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

TOWN OF SUMMITVILLE  
NOTES TO FINANCIAL STATEMENT

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

**A. Reporting Entity**

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF SUMMITVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Charges for services which can include, but are 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 tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include 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).

Utility fees which are comprised mostly of charges for current services.

Penalties which include fees received for late payments.

Other receipts which include 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.

*E. Disbursements*

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

Personal services include outflows 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 which include 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.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

TOWN OF SUMMITVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

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

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money 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 Town. The money 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 Town 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 initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable



TOWN OF SUMMITVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

**Note 4. *Deposits and Investments***

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

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

**Note 5. *Risk Management***

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

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

**Note 6. *Pension Plan***

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

TOWN OF SUMMITVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capitol Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**Note 7. Holding Corporation**

The Town has entered into a capital lease with the Town of Summitville Redevelopment Authority (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the years 2012 and 2013 totaled \$22,000 and \$41,000, respectively.

#### SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012

	General	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Law Enforcement Continuing Ed	Main Street Development	Deferral Program Fund
Cash and investments - beginning	\$ 88,592	\$ 53,497	\$ 5,846	\$ 225	\$ 4,789	\$ 51,000	\$ -
Receipts:							
Taxes	191,677	44,944	-	-	-	-	-
Licenses and permits	269	-	-	-	740	-	-
Intergovernmental	100,769	30,068	9,971	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	60	-	-	-	24	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,450	89	-	-	-	-	-
Total receipts	299,225	75,101	9,971	-	764	-	-
Disbursements:							
Personal services	127,071	38,732	-	-	-	-	-
Supplies	26,912	6,620	2,063	-	-	-	-
Other services and charges	86,228	10,867	800	-	800	-	-
Debt service - principal and interest	5,847	-	-	-	-	-	-
Capital outlay	-	5,912	5,006	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	246,058	62,131	7,869	-	800	-	-
Excess (deficiency) of receipts over disbursements	53,167	12,970	2,102	-	(36)	-	-
Cash and investments - ending	\$ 141,759	\$ 66,467	\$ 7,948	\$ 225	\$ 4,753	\$ 51,000	\$ -

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012  
(Continued)

	Riverboat	Rainy Day	Police Equipment (Not Debt Service)	SRF Fund Match	Cumulative Capital Improvement	Community Center
Cash and investments - beginning	\$ 61,091	\$ 991	\$ 167	\$ 42,000	\$ 2,796	\$ 428
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	5,728	-	-	-	2,565	-
Charges for services	55,322	-	-	-	-	2,060
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	16,000	-	-	-	-	-
Total receipts	77,050	-	-	-	2,565	2,060
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	138
Other services and charges	-	-	-	-	-	102
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	23,286	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	16,000	-	-	-	-	800
Total disbursements	39,286	-	-	-	-	1,040
Excess (deficiency) of receipts over disbursements	37,764	-	-	-	2,565	1,020
Cash and investments - ending	\$ 98,855	\$ 991	\$ 167	\$ 42,000	\$ 5,361	\$ 1,448

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012  
(Continued)

	War Memorial	Main Street Revitalization	Main Street Bond & Interest	Main Street Debt Service Reserve	Madison County Local Grant	Main Street Construction
Cash and investments - beginning	\$ 1,909	\$ -	\$ -	\$ -	\$ -	\$ 4,642
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	186,592	-	-	15,000	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	334,584	30,813	39,078	-	-
Total receipts	-	521,176	30,813	39,078	15,000	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	199	-	-	-	-
Other services and charges	-	300	-	-	-	-
Debt service - principal and interest	-	-	8,801	-	-	-
Capital outlay	-	309,620	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	38,000	-	-	-	-
Total disbursements	-	348,119	8,801	-	-	-
Excess (deficiency) of receipts over disbursements	-	173,057	22,012	39,078	15,000	-
Cash and investments - ending	\$ 1,909	\$ 173,057	\$ 22,012	\$ 39,078	\$ 15,000	\$ 4,642

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012  
(Continued)

	Park And Recreation	Town Hall Construction	Payroll	Insurance-Other	Park Refundable Deposits	Slot Machine Fund
Cash and investments - beginning	\$ 3,605	\$ 62	\$ 2,485	\$ 21	\$ -	\$ -
Receipts:						
Taxes	10,667	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	1,252	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	155,693	-	-	-
Total receipts	11,919	-	155,693	-	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	1,647	-	-	-	-	-
Other services and charges	3,646	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	154,194	-	-	-
Total disbursements	5,293	-	154,194	-	-	-
Excess (deficiency) of receipts over disbursements	6,626	-	1,499	-	-	-
Cash and investments - ending	\$ 10,231	\$ 62	\$ 3,984	\$ 21	\$ -	\$ -

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012  
(Continued)

	OCRA	Main Street Sinking	Wastewater Bond & Interest Fund	Wastewater Sinking Fund	Wastewater IDEM Permit	Wastewater Utility - Operating
Cash and investments - beginning	\$ -	\$ -	\$ 5,000	\$ 5,053	\$ 8,015	\$ 39,660
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	222,797
Other receipts	-	-	54,456	21,300	6,420	3,996
Total receipts	-	-	54,456	21,300	6,420	226,793
Disbursements:						
Personal services	-	-	-	-	-	44,464
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	6,283
Debt service - principal and interest	-	-	54,445	21,300	-	-
Capital outlay	-	-	-	-	-	12,420
Utility operating expenses	-	-	300	-	6,400	77,313
Other disbursements	-	-	-	-	-	82,776
Total disbursements	-	-	54,745	21,300	6,400	223,256
Excess (deficiency) of receipts over disbursements	-	-	(289)	-	20	3,537
Cash and investments - ending	\$ -	\$ -	\$ 4,711	\$ 5,053	\$ 8,035	\$ 43,197



TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2012  
(Continued)

	Wastewater Refunding Bond Redemption	Wastewater SRF Bond & Interest	Wastewater SRF Debt Service Reserve	Wastewater SRF Construction	Sanitation	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 5,885	\$ 387,759
Receipts:						
Taxes	-	-	-	-	-	247,288
Licenses and permits	-	-	-	-	-	1,009
Intergovernmental	-	-	-	-	-	351,945
Charges for services	-	-	-	-	52,129	109,511
Fines and forfeits	-	-	-	-	-	84
Utility fees	-	-	-	-	-	222,797
Other receipts	-	-	-	-	-	668,879
Total receipts	-	-	-	-	52,129	1,601,513
Disbursements:						
Personal services	-	-	-	-	-	210,267
Supplies	-	-	-	-	-	37,579
Other services and charges	-	-	-	-	45,223	154,249
Debt service - principal and interest	-	-	-	-	-	90,393
Capital outlay	-	-	-	-	-	356,244
Utility operating expenses	-	-	-	-	-	84,013
Other disbursements	-	-	-	-	-	291,770
Total disbursements	-	-	-	-	45,223	1,224,515
Excess (deficiency) of receipts over disbursements	-	-	-	-	6,906	376,998
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 12,791	\$ 764,757

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Law Enforcement Continuing Ed	Main Street Development	Deferral Program Fund
Cash and investments - beginning	\$ 141,759	\$ 66,467	\$ 7,948	\$ 225	\$ 4,753	\$ 51,000	\$ -
Receipts:							
Taxes	172,098	27,193	-	-	-	-	-
Licenses and permits	776	-	-	-	200	-	-
Intergovernmental	89,712	30,807	9,587	-	-	-	-
Charges for services	-	-	-	-	10	-	-
Fines and forfeits	-	-	-	-	1,522	-	1,913
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,443	532	-	-	-	-	-
Total receipts	<u>265,029</u>	<u>58,532</u>	<u>9,587</u>	<u>-</u>	<u>1,732</u>	<u>-</u>	<u>1,913</u>
Disbursements:							
Personal services	103,374	38,457	-	-	-	-	-
Supplies	16,234	8,160	84	-	-	-	-
Other services and charges	103,580	33,377	554	-	644	-	-
Debt service - principal and interest	5,847	-	-	-	-	-	-
Capital outlay	9,358	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	40,000	-	-	-	-	-	-
Total disbursements	<u>278,393</u>	<u>79,994</u>	<u>638</u>	<u>-</u>	<u>644</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(13,364)</u>	<u>(21,462)</u>	<u>8,949</u>	<u>-</u>	<u>1,088</u>	<u>-</u>	<u>1,913</u>
Cash and investments - ending	<u>\$ 128,395</u>	<u>\$ 45,005</u>	<u>\$ 16,897</u>	<u>\$ 225</u>	<u>\$ 5,841</u>	<u>\$ 51,000</u>	<u>\$ 1,913</u>

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013  
(Continued)

	Riverboat	Rainy Day	Police Equipment (Not Debt Service)	SRF Fund Match	Cumulative Capital Improvement	Community Center
Cash and investments - beginning	\$ 98,855	\$ 991	\$ 167	\$ 42,000	\$ 5,361	\$ 1,448
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	5,728	-	-	-	2,596	-
Charges for services	-	-	-	-	-	770
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	40,000	-	-	-	-	200
Total receipts	45,728	-	-	-	2,596	970
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	996
Other services and charges	-	-	-	-	-	973
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	28,000	-	305
Total disbursements	-	-	-	28,000	-	2,274
Excess (deficiency) of receipts over disbursements	45,728	-	-	(28,000)	2,596	(1,304)
Cash and investments - ending	\$ 144,583	\$ 991	\$ 167	\$ 14,000	\$ 7,957	\$ 144

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013  
(Continued)

	War Memorial	Main Street Revitalization	Main Street Bond & Interest	Main Street Debt Service Reserve	Madison County Local Grant	Main Street Construction
Cash and investments - beginning	\$ 1,909	\$ 173,057	\$ 22,012	\$ 39,078	\$ 15,000	\$ 4,642
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	54,719	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	33	4	41	-	-
Total receipts	-	54,752	4	41	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	25	-	-	-	-	-
Other services and charges	-	-	350	-	14,706	-
Debt service - principal and interest	-	-	18,900	-	-	-
Capital outlay	-	122,480	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	41,200	-	-	-	-
Total disbursements	25	163,680	19,250	-	14,706	-
Excess (deficiency) of receipts over disbursements	(25)	(108,928)	(19,246)	41	(14,706)	-
Cash and investments - ending	\$ 1,884	\$ 64,129	\$ 2,766	\$ 39,119	\$ 294	\$ 4,642

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013  
(Continued)

	Park And Recreation	Town Hall Construction	Payroll	Insurance-Other	Park Refundable Deposits	Slot Machine Fund
Cash and investments - beginning	\$ 10,231	\$ 62	\$ 3,984	\$ 21	\$ -	\$ -
Receipts:						
Taxes	9,726	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	825	-	-	-	-	47,892
Charges for services	1,345	-	-	-	630	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	156,472	-	-	-
Total receipts	11,896	-	156,472	-	630	47,892
Disbursements:						
Personal services	2,423	-	-	-	-	-
Supplies	2,334	-	-	-	-	-
Other services and charges	3,154	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	726	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	156,614	-	525	-
Total disbursements	8,637	-	156,614	-	525	-
Excess (deficiency) of receipts over disbursements	3,259	-	(142)	-	105	47,892
Cash and investments - ending	\$ 13,490	\$ 62	\$ 3,842	\$ 21	\$ 105	\$ 47,892

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013  
(Continued)

	OCRA	Main Street Sinking	Wastewater Bond & Interest Fund	Wastewater Sinking Fund	Wastewater IDEM Permit	Wastewater Utility - Operating
Cash and investments - beginning	\$ -	\$ -	\$ 4,711	\$ 5,053	\$ 8,035	\$ 43,197
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	339,654	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	243,171
Penalties	-	-	-	-	-	3,924
Other receipts	-	41,200	22,690	8,875	6,420	119
Total receipts	339,654	41,200	22,690	8,875	6,420	247,214
Disbursements:						
Personal services	-	-	-	-	-	49,221
Supplies	-	-	-	-	-	-
Other services and charges	339,653	-	-	-	-	6,353
Debt service - principal and interest	-	18,700	-	-	-	-
Capital outlay	-	-	-	-	-	24,567
Utility operating expenses	-	-	-	-	6,400	74,361
Other disbursements	-	-	17,435	8,504	-	102,238
Total disbursements	339,653	18,700	17,435	8,504	6,400	256,740
Excess (deficiency) of receipts over disbursements	1	22,500	5,255	371	20	(9,526)
Cash and investments - ending	\$ 1	\$ 22,500	\$ 9,966	\$ 5,424	\$ 8,055	\$ 33,671

TOWN OF SUMMITVILLE  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
For the Year Ended December 31, 2013  
(Continued)

	Wastewater Refunding Bond Redemption	Wastewater SRF Bond & Interest	Wastewater SRF Debt Service Reserve	Wastewater SRF Construction	Sanitation	Totals
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 12,791	\$ 764,757
Receipts:						
Taxes	-	-	-	-	-	209,017
Licenses and permits	-	-	-	-	-	976
Intergovernmental	-	-	-	332,016	-	913,536
Charges for services	-	-	-	-	45,536	48,291
Fines and forfeits	-	-	-	-	-	3,435
Utility fees	-	-	-	-	-	243,171
Penalties	-	-	-	-	-	3,924
Other receipts	343,394	50,660	13,220	-	-	686,303
Total receipts	343,394	50,660	13,220	332,016	45,536	2,108,653
Disbursements:						
Personal services	-	-	-	-	-	193,475
Supplies	-	-	-	-	-	27,833
Other services and charges	-	-	-	-	49,337	552,681
Debt service - principal and interest	343,315	-	-	-	-	386,762
Capital outlay	-	-	-	332,016	1,281	490,428
Utility operating expenses	-	-	-	-	-	80,761
Other disbursements	79	-	-	-	69	394,969
Total disbursements	343,394	-	-	332,016	50,687	2,126,909
Excess (deficiency) of receipts over disbursements	-	50,660	13,220	-	(5,151)	(18,256)
Cash and investments - ending	\$ -	\$ 50,660	\$ 13,220	\$ -	\$ 7,640	\$ 746,501

TOWN OF SUMMITVILLE  
SCHEDULE OF RECEIVABLES  
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Wastewater	\$ 72,935
Sanitation	<u>10,485</u>
Total	<u><u>\$ 83,420</u></u>



TOWN OF SUMMITVILLE  
SCHEDULE OF LEASES AND DEBT  
December 31, 2013

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: TOWN OF SUMMITVILLE REDEVELOPMENT AUTHORITY	MAIN STREET PROJECT	\$ 43,000	01-01-12	01-15-26
Total of annual lease payments		<u>\$ 43,000</u>		

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose	
Governmental activities: Notes and loans payable	POLICE VEHICLE	\$ 484
Wastewater: Revenue bonds	SRF 2013A	10,456
Revenue bonds	SRF 2013B	89,754
Total Wastewater		<u>100,210</u>
Totals		<u>\$ 100,697</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF SUMMITVILLE, MADISON COUNTY, INDIANA

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

We have audited the Town of Summitville's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Town'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 programs.

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

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Town'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 Town's compliance.

### ***Basis for Qualified Opinion on the CDBG - State-Administered CDBG Cluster***

As described in item 2013-003 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its CDBG - State-Administered CDBG Cluster. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

***Qualified Opinion on the CDBG - State-Administered CDBG Cluster***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the CDBG – State-Administered CDBG Program* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the CDBG - State-Administered CDBG Cluster for the period of January 1, 2012 to December 31, 2013.

***Other Matters***

The Town's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

***Report on Internal Control Over Compliance***


Management of the Town 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 Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Town's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

June 18, 2014

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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TOWN OF SUMMITVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Sewer Project	Indiana Office of Community and Rural Affairs	14.228	CF-12-101	\$ -	\$ 339,653
Total - CDBG - State-Administered CDBG Cluster				-	339,653
Total - Department of Housing and Urban Development				-	339,653
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction Main Street Revitalization	Indiana Department of Transportation	20.205	DES #0810252	106,592	54,719
Total - Highway Planning and Construction Cluster				106,592	54,719
Total - Department of Transportation				106,592	54,719
<u>Environmental Protection Agency</u>					
Capitalization Grants for Clean Water State Revolving Funds Sewer Project	Indiana Finance Authority	66.458	WW 09464801	-	110,628
Total - Environmental Protection Agency				-	110,628
Total federal awards expended				\$ 106,592	\$ 505,000

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF SUMMITVILLE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF SUMMITVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes

Identification of Major Program:

\_\_\_\_\_  
Name of Federal Program or Cluster  
CDBG - State-Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

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

**FINDING 2013-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TOWN OF SUMMITVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.
4. **Posting Error of Receipts:** The Town has no control in place to determine whether receipts are recorded in the correct fund. There were five instances where a state, county, or wastewater/trash distribution was not recorded to the correct funds.
5. **Incomplete Record of State Revolving Fund Activity:** The Town did not have controls in place to assure that all activity is recorded in the financial records. There were seven drawdowns received from the State Revolving Fund for the wastewater project, and the corresponding disbursements, that were not recorded in the financial records, and therefore, did not appear on the financial statement presented for audit. The Town requested and approved an adjustment to receipts and disbursements to the 2013 Wastewater SRF Construction fund in the amount of \$199,809.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FINDING 2013-002 - INTERNAL CONTROLS OVER THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

We noted several deficiencies in the internal control system of the Town related to the preparation of the Schedule of Expenditures of Federal Awards (SEFA). We believe the following deficiencies constitute material weaknesses:

TOWN OF SUMMITVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of SEFA reporting objectives. The Town has not separated incompatible activities related to the recording of federal receipts, federal disbursements, preparation, and approval of the SEFA. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Preparing SEFA: Effective internal control over federal reporting involves properly identifying the federal portion of funds received and disbursed, the grant CDFA numbers, the federal grantor agency, the grant program name, and the pass-through entity. The Town has not identified risks to the preparation of a reliable SEFA and, as a result, has failed to design effective controls over the preparation of the SEFA to prevent or detect material misstatements, including notes to the SEFA. The Town requested and approved adjustments decreasing the total expenditures reported on the SEFA by the amount of \$166,669. The Town also requested and approved adjustments to two federal Agencies, one pass-through entity, one cluster, three program names, two CFDA numbers, and two identifying numbers.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and all forms of information processing are necessary for proper internal control.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

TOWN OF SUMMITVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

***FINDING 2013-003 - INTERNAL CONTROLS OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT***

Federal Agency: Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): CF-12-101

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and one of the compliance requirements that have a direct and material effect to the program. This includes the compliance requirement Equipment and Real Property Management. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirement. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

As a result of not establishing internal controls, a capital asset inventory has not been maintained as required. A capital asset inventory record would contain capital asset additions, disposals, and balances, which separately identify items acquired with federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records. Additionally, the Town cannot adequately implement safeguards to prevent loss, damage, or theft of the property without these controls and records.

TOWN OF SUMMITVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

24 CFR 85.32 (d) states in part:

*"Management requirements*, Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements related to Equipment and Real Property Management.

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#### AUDITEE PREPARED DOCUMENT

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

# TOWN OF SUMMITVILLE

CLERK/TREASURER: KELLEY KORN BROKE

TOWN COUNCIL MEMBERS: BART MATNEY, CURTIS BLALOCK, SCOTT KORN BROKE, DEWAYNE PRESLEY, BRODY STITT  
109 SOUTH MAIN STREET, P.O. BOX 368, SUMMITVILLE, INDIANA 46070

Telephone: 765.536.2802/Fax: 765.536.2477

Email: [summitville\\_clktreas@yahoo.com](mailto:summitville_clktreas@yahoo.com)

## CORRECTIVE ACTION PLAN

### ***FINDING 2013-001***

Contact Person Responsible for Corrective Action: Kelley Kornbroke

Contact Phone Number: 765-536-2802

#### Description of Corrective Action Plan:

We are a small, local governmental unit and it is not reasonable to hire enough staff to adequately segregate all duties; however we are in the process of hiring a departmental manager who could provide additional oversight in several areas of our internal controls. The Clerk Treasurer's office plans to provide monthly bank reconciliations along with fund, appropriation and revenue reports to the Council. Also, we are utilizing the service of a consultant to assist with periodic review of our financial records for better internal controls.

### ***FINDING 2013-002***

Contact Person Responsible for Corrective Action: Kelley Kornbroke

Contact Phone Number: 765-536-2802

#### Description of Corrective Action Plan:

We are a small, local governmental unit and it is not reasonable to hire enough staff to adequately segregate all duties; however we are in the process of hiring a departmental manager who could provide additional oversight in several areas of our internal controls. The Clerk Treasurer's office plans to provide monthly bank reconciliations along with fund, appropriation and revenue reports to the Council. Also, we are utilizing the service of a consultant to assist with periodic review of our financial records for better internal controls.

### ***FINDING 2013-003***

Contact Person Responsible for Corrective Action: Kelley Kornbroke

Contact Phone Number: 765-536-2802

#### Description of Corrective Action Plan:

The Town has recently started to document our capital assets. We have records from 1988-2001 for wastewater utility and we have discussed the Town's capital assets deficiency with our consultant. We currently have a plan to continue developing our capital asset system but if we see that we cannot complete it on our own we have the name and number of a company who we will seek to assist us.

Anticipated Completion Date:

The goals of the Council and Clerk Treasurer are to have improved internal controls and to complete our capital assets ledger by December 31, 2014.

Kelly Kambrooke  
(Signature)

Clerk Treasurer  
(Title)

6-18-14  
(Date)

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.