

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF LAUREL
FRANKLIN COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/22/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-15
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-23
Schedule of Payables and Receivables	25
Audit Results and Comments:	
Overdrawn Cash Balance	26
Penalties and Interest Paid	26
Purchases with Debit Cards	27
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control Over Compliance	30-31
Schedule of Expenditures of Federal Awards	35
Note to Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	37-40
Auditee Prepared Schedule:	
Corrective Action Plan	41
Exit Conference	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Carlene Rayburn (Vacant) Linda Adams	01-01-08 to 05-25-13 05-26-13 to 05-29-13 05-30-13 to 12-31-15
President of the Town Council	William St. John Randy Blake Nora Hundley	01-01-11 to 12-31-11 01-01-12 to 12-31-12 01-01-13 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF LAUREL, FRANKLIN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Laurel (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, 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 the 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 the 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 the 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, 2011 to December 31, 2012.

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, 2011 to December 31, 2012, 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 March 19, 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 and Schedule of Payables and Receivables, 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

March 19, 2014



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 LAUREL, FRANKLIN 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 Laurel (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated March 19, 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 2012-001, 2012-002, and 2012-004 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 the 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 and Questioned Costs as item 2012-002.

Town of Laurel'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

March 19, 2014

(This page intentionally left blank.)

FINANCIAL STATEMENT

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.

(This page intentionally left blank.)

TOWN OF LAUREL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 62,455	\$ 117,118	\$ 57,666	\$ 121,907	\$ 81,499	\$ 115,320	\$ 88,086
MVH	14,403	15,314	19,951	9,766	22,020	21,439	10,347
LRS	5,658	2,950	2,976	5,632	3,864	1,550	7,946
LECE	2,210	1,196	1,070	2,336	967	400	2,903
Riverboat	26,657	16,692	-	43,349	16,102	-	59,451
CEDIT	9,224	6,734	5,912	10,046	8,905	5,902	13,049
Cumulative Capital Improvement	2,611	1,663	-	4,274	1,358	2,899	2,733
Payroll	(1,176)	81,688	98,993	(18,481)	99,944	79,163	2,300
Wastewater Utility-Debt Service Reserve	30,185	28,368	13,342	45,211	2,469	-	47,680
Wastewater Utility-Operating	53,514	176,109	152,649	76,974	160,684	149,633	88,025
Wastewater Util-Bond And Interest	28,014	-	32,108	(4,094)	4,094	-	-
Water Utility-Operating	6,438	103,163	101,863	7,738	121,749	85,768	43,719
Water Utility-Bond And Interest	18,327	26,057	25,214	19,170	-	-	19,170
Water Utility-Depreciation/Improvement	15,771	8,006	8,718	15,059	-	2,158	12,901
Water Utility-Customer Deposit	3,974	-	-	3,974	50	-	4,024
Stormwater Grant	-	800,476	800,476	-	6,383	6,383	-
Stormwater Escrow	-	47,095	47,095	-	-	-	-
Sewer Grant	-	826,693	826,693	-	164,595	164,595	-
Sewer Escrow	-	44,103	44,103	-	-	-	-
Stormwater	-	2,417	-	2,417	3,156	-	5,573
Totals	<u>\$ 278,265</u>	<u>\$ 2,305,842</u>	<u>\$ 2,238,829</u>	<u>\$ 345,278</u>	<u>\$ 697,839</u>	<u>\$ 635,210</u>	<u>\$ 407,907</u>

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

TOWN OF LAUREL
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, storm water, 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 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, food and beverage tax, boat and trailer excise tax and county adjusted gross income tax.

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, and riverboat receipts received from the county.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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; inter fund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where 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.

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. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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 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.

TOWN OF LAUREL
NOTES TO FINANCIAL STATEMENT
(Continued)

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. Cash Balance Deficits

The financial statement contains funds with deficit cash balances. Disbursements from these funds are funded by transfers from other Town funds. The deficit cash balances were caused by transfers not being made from other Town funds.

Note 7. Reclassifications

The Accident and Firearms and LECE were reported individually in the prior financial statement. Beginning January 1, 2011, these funds were combined and reported in the LECE fund.

(This page intentionally left blank.)

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 Reports of the Town which are 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 LAUREL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	General	MVH	LRS	LECE	Riverboat	CEDIT	Cumulative Capital Improvement
Cash and investments - beginning	\$ 62,455	\$ 14,403	\$ 5,658	\$ 2,210	\$ 26,657	\$ 9,224	\$ 2,611
Receipts:							
Taxes	42,864	-	-	-	-	-	-
Intergovernmental	43,354	15,314	2,950	-	-	6,734	1,663
Fines and forfeits	1,197	-	-	1,196	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	29,703	-	-	-	16,692	-	-
Total receipts	<u>117,118</u>	<u>15,314</u>	<u>2,950</u>	<u>1,196</u>	<u>16,692</u>	<u>6,734</u>	<u>1,663</u>
Disbursements:							
Personal services	29,703	-	-	-	-	-	-
Supplies	4,369	7,255	-	-	-	-	-
Other services and charges	23,594	12,696	2,976	1,070	-	5,912	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>57,666</u>	<u>19,951</u>	<u>2,976</u>	<u>1,070</u>	<u>-</u>	<u>5,912</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>59,452</u>	<u>(4,637)</u>	<u>(26)</u>	<u>126</u>	<u>16,692</u>	<u>822</u>	<u>1,663</u>
Cash and investments - ending	<u>\$ 121,907</u>	<u>\$ 9,766</u>	<u>\$ 5,632</u>	<u>\$ 2,336</u>	<u>\$ 43,349</u>	<u>\$ 10,046</u>	<u>\$ 4,274</u>

TOWN OF LAUREL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Payroll	Wastewater Utility-Debt Service Reserve	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/ Improvement
Cash and investments - beginning	\$ (1,176)	\$ 30,185	\$ 53,514	\$ 28,014	\$ 6,438	\$ 18,327	\$ 15,771
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	176,109	-	79,283	-	-
Penalties	-	-	-	-	1,426	-	-
Other receipts	81,688	28,368	-	-	22,454	26,057	8,006
Total receipts	<u>81,688</u>	<u>28,368</u>	<u>176,109</u>	<u>-</u>	<u>103,163</u>	<u>26,057</u>	<u>8,006</u>
Disbursements:							
Personal services	98,993	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	17,044	-	-	-	-
Utility operating expenses	-	-	122,859	-	86,797	-	-
Other disbursements	-	13,342	12,746	32,108	15,066	25,214	8,718
Total disbursements	<u>98,993</u>	<u>13,342</u>	<u>152,649</u>	<u>32,108</u>	<u>101,863</u>	<u>25,214</u>	<u>8,718</u>
Excess (deficiency) of receipts over disbursements	<u>(17,305)</u>	<u>15,026</u>	<u>23,460</u>	<u>(32,108)</u>	<u>1,300</u>	<u>843</u>	<u>(712)</u>
Cash and investments - ending	<u>\$ (18,481)</u>	<u>\$ 45,211</u>	<u>\$ 76,974</u>	<u>\$ (4,094)</u>	<u>\$ 7,738</u>	<u>\$ 19,170</u>	<u>\$ 15,059</u>

TOWN OF LAUREL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Water Utility-Customer Deposit	Stormwater Grant	Stormwater Escrow	Sewer Grant	Sewer Escrow	Stormwater	Totals
Cash and investments - beginning	\$ 3,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 278,265
Receipts:							
Taxes	-	-	-	-	-	-	42,864
Intergovernmental	-	800,476	-	826,693	-	-	1,697,184
Fines and forfeits	-	-	-	-	-	-	2,393
Utility fees	-	-	-	-	-	2,417	257,809
Penalties	-	-	-	-	-	-	1,426
Other receipts	-	-	47,095	-	44,103	-	304,166
Total receipts	<u>-</u>	<u>800,476</u>	<u>47,095</u>	<u>826,693</u>	<u>44,103</u>	<u>2,417</u>	<u>2,305,842</u>
Disbursements:							
Personal services	-	-	-	-	-	-	128,696
Supplies	-	-	-	-	-	-	11,624
Other services and charges	-	-	-	-	-	-	46,248
Capital outlay	-	800,476	-	826,693	-	-	1,644,213
Utility operating expenses	-	-	-	-	-	-	209,656
Other disbursements	-	-	47,095	-	44,103	-	198,392
Total disbursements	<u>-</u>	<u>800,476</u>	<u>47,095</u>	<u>826,693</u>	<u>44,103</u>	<u>-</u>	<u>2,238,829</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,417</u>	<u>67,013</u>
Cash and investments - ending	<u>\$ 3,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,417</u>	<u>\$ 345,278</u>

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

	General	MVH	LRS	LECE	Riverboat	CEDIT	Cumulative Capital Improvement
Cash and investments - beginning	\$ 121,907	\$ 9,766	\$ 5,632	\$ 2,336	\$ 43,349	\$ 10,046	\$ 4,274
Receipts:							
Taxes	48,752	-	-	-	-	-	-
Intergovernmental	28,994	13,080	3,864	-	16,102	8,905	1,358
Fines and forfeits	-	-	-	967	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,753	8,940	-	-	-	-	-
Total receipts	<u>81,499</u>	<u>22,020</u>	<u>3,864</u>	<u>967</u>	<u>16,102</u>	<u>8,905</u>	<u>1,358</u>
Disbursements:							
Personal services	39,225	-	-	-	-	-	-
Supplies	3,030	2,669	350	-	-	-	-
Other services and charges	29,674	18,770	1,200	400	-	-	2,732
Debt service - principal and interest	-	-	-	-	-	5,902	-
Capital outlay	34,451	-	-	-	-	-	167
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	8,940	-	-	-	-	-	-
Total disbursements	<u>115,320</u>	<u>21,439</u>	<u>1,550</u>	<u>400</u>	<u>-</u>	<u>5,902</u>	<u>2,899</u>
Excess (deficiency) of receipts over disbursements	<u>(33,821)</u>	<u>581</u>	<u>2,314</u>	<u>567</u>	<u>16,102</u>	<u>3,003</u>	<u>(1,541)</u>
Cash and investments - ending	<u>\$ 88,086</u>	<u>\$ 10,347</u>	<u>\$ 7,946</u>	<u>\$ 2,903</u>	<u>\$ 59,451</u>	<u>\$ 13,049</u>	<u>\$ 2,733</u>

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

	Payroll	Wastewater Utility-Debt Service Reserve	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Depreciation/ Improvement
Cash and investments - beginning	\$ (18,481)	\$ 45,211	\$ 76,974	\$ (4,094)	\$ 7,738	\$ 19,170	\$ 15,059
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	155,930	-	119,063	-	-
Penalties	-	-	4,568	-	2,610	-	-
Other receipts	99,944	2,469	186	4,094	76	-	-
Total receipts	99,944	2,469	160,684	4,094	121,749	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	3,826	-	-	-	-
Utility operating expenses	-	-	118,260	-	62,160	-	2,158
Other disbursements	79,163	-	27,547	-	23,608	-	-
Total disbursements	79,163	-	149,633	-	85,768	-	2,158
Excess (deficiency) of receipts over disbursements	20,781	2,469	11,051	4,094	35,981	-	(2,158)
Cash and investments - ending	\$ 2,300	\$ 47,680	\$ 88,025	\$ -	\$ 43,719	\$ 19,170	\$ 12,901

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

	Water Utility-Customer Deposit	Stormwater Grant	Stormwater Escrow	Sewer Grant	Sewer Escrow	Stormwater	Totals
Cash and investments - beginning	\$ 3,974	\$ -	\$ -	\$ -	\$ -	\$ 2,417	\$ 345,278
Receipts:							
Taxes	-	-	-	-	-	-	48,752
Intergovernmental	-	6,383	-	164,595	-	-	243,281
Fines and forfeits	-	-	-	-	-	-	967
Utility fees	-	-	-	-	-	3,064	278,057
Penalties	-	-	-	-	-	92	7,270
Other receipts	50	-	-	-	-	-	119,512
Total receipts	<u>50</u>	<u>6,383</u>	<u>-</u>	<u>164,595</u>	<u>-</u>	<u>3,156</u>	<u>697,839</u>
Disbursements:							
Personal services	-	-	-	-	-	-	39,225
Supplies	-	-	-	-	-	-	6,049
Other services and charges	-	-	-	-	-	-	52,776
Debt service - principal and interest	-	-	-	-	-	-	5,902
Capital outlay	-	6,383	-	164,595	-	-	209,422
Utility operating expenses	-	-	-	-	-	-	182,578
Other disbursements	-	-	-	-	-	-	139,258
Total disbursements	<u>-</u>	<u>6,383</u>	<u>-</u>	<u>164,595</u>	<u>-</u>	<u>-</u>	<u>635,210</u>
Excess (deficiency) of receipts over disbursements	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,156</u>	<u>62,629</u>
Cash and investments - ending	<u>\$ 4,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,573</u>	<u>\$ 407,907</u>

(This page intentionally left blank.)

TOWN OF LAUREL
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 20,811
Water	-	733
Stormwater	-	284
Governmental activities	-	-
Totals	\$ -	\$ 21,828

TOWN OF LAUREL
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCE (Applies to Clerk-Treasurer)

The financial statement presented in this report included the following funds that had overdrawn cash balances at December 31, 2011:

	<u>Amount</u>
Payroll	\$ (18,481)
Wastewater Util-Bond And Interest	(4,094)

The overdrawn cash balance of the Payroll fund was the result of the Town remitting payroll taxes from the Payroll fund without being reimbursed from other Town funds. The overdrawn cash balance of the Wastewater Util-Bond And Interest fund was due to untimely transfers from the Wastewater Operating fund being made.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST PAID (Applies to Clerk-Treasurer)

The Town paid penalties and interest totaling \$1,040 to the Internal Revenue Service and to the Indiana Department of Revenue during the years 2011, 2012, and 2013 because the Town did not remit payroll taxes on a timely basis.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest, or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAUREL
AUDIT RESULTS AND COMMENTS
(Continued)

PURCHASES WITH DEBIT CARDS (Applies to Clerk-Treasurer)

A total of \$1,381 of debit card purchases were made by the Town during the years 2011 and 2012. However, no supporting documentation, such as invoices and paid receipts, were presented for audit. We also noted an additional \$1,571 of debit card purchases, with supporting documentation, were not approved by the Town Council.

Supporting documentation such as invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 36-5-4-12 states in part the following:

"(a) The legislative body of a town may adopt an ordinance allowing money to be disbursed under this section for lawful town purposes.

(b) Notwithstanding IC 5-11-10, with the prior written approval of the board having jurisdiction over allowance of the claim, a town fiscal officer may make claim payments in advance of a board allowance for . . . Expenses described in an ordinance.

(c) Each payment of expenses under this section must be supported by a fully itemized invoice or bill and certification by the fiscal officer.

(d) The town legislative body or the board having jurisdiction over the allowance of the claim shall review and allow the claim at the body's or board's next regular or special meeting following the preapproved payment of the expense."

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF LAUREL, FRANKLIN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Laurel'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, 2011 to December 31, 2012. 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.

Opinion on the Major Federal Program

In our opinion, 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 its major federal program for the period of January 1, 2011 to December 31, 2012.

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

Report on Internal Control Over Compliance


Management of the 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 2012-003 to be material weaknesses.

The Town's response to the internal control over compliance finding 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

March 19, 2014

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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.

(This page intentionally left blank.)

TOWN OF LAUREL
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2011 and 2012

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
	14.228			
Disaster Recovery Assistance Grant		B10DC180001DR2-09-104	\$ 800,476	\$ 6,383
Disaster Recovery Assistance Grant		B11DC180001DR2-09-160	<u>826,693</u>	<u>164,595</u>
Total federal awards expended			<u>\$ 1,627,169</u>	<u>\$ 170,978</u>

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

TOWN OF LAUREL
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 LAUREL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statements:

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 statements 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:	Unmodified
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

Section II - Financial Statement Findings

FINDING 2012-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted the following deficiency in the internal control system of the Town related to financial transactions. We believe the following deficiency constitutes a material weakness:

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 processing duties 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 LAUREL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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)

FINDING 2012-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENT

The Town did not have a proper system of internal controls in place to prevent, or detect and correct, errors on the financial statement. The Town should have proper internal controls in place over the preparation of the financial statement to ensure accurate reporting of cash and investments and financial activity. Without a proper system of internal controls in place that operates effectively, material misstatements of the financial statement could remain undetected.

During the audit of the financial statement, we noted the following errors: Four grant funds were excluded from the financial statement. Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in this report. These funds were also omitted from the Annual Financial Report submitted to the State Examiner. The information reported on the Annual Financial Report is used to compile the financial statement.

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)

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content presented by the state examiner and filed electronically in the manner prescribed under IC-5-14-3.8-7."

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

FINDING 2012-004 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

We noted the following deficiency in the internal control system of the Town related to financial reporting. We believe the following deficiency constitutes a material weakness:

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 processing duties related to the preparation of the Schedule of Expenditures of Federal Awards. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

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 Indiana City and Towns, Chapter 7)

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: U.S. 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: B10DC180001DR2-09-104, B11DC180001DR2-09-160

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 some of the compliance requirements that have a direct and material effect on the program. This includes the compliance requirement for the Davis-Bacon Act.

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. 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.

The Town did not identify how the compliance requirement was to be monitored and address the related risks of the failure to monitor the compliance requirement. Specifically, the Town did not provide sufficient oversight to ensure certified payrolls were properly received by the grant administrator.

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

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.

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."

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 noted above that have a direct and material effect to the program.

TOWN OF LAUREL
P.O. BOX 232
LAUREL, INDIANA 47024
CORRECTIVE ACTION PLAN

FINDING NO. 2012-001 INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The Town Board will review the current control structure of the Town and identify the areas that need segregation. Then the unit will implement the required controls ASAP.

FINDING NO. 2012-002 INTERNAL CONTROLS OVER THE FINANCIAL STATEMENT

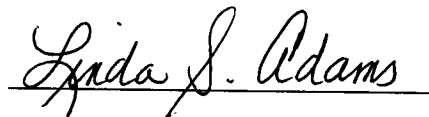
The Clerk Treasurer will enter the Towns financial information into the Gateway system. The Town Board President will review the information in the system prior to the Clerk Treasurer submitting it to the SBOA. Next fiscal year

FINDING NO. 2012-003 INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAMS AND NON-ENTITLEMENT GRANTS IN HAWAII

Board will require monthly reports for the Davis Bacon requirements from the grant administrator/project manager. The Board will be checking to see if the compliance requirements are being carried out. The Town Board President will sign each report. This will be implemented for the next Grant that the Town receives.

FINDING NO. 2012-004 INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Clerk Treasurer will prepare the SEFA and the Town Board President will review the information for correctness. This will be implemented the next time the Town receives any federal assistance.



Linda Adams Clerk Treasurer

TOWN OF LAUREL
EXIT CONFERENCE

The contents of this report were discussed on March 19, 2014, with Linda Adams, Clerk-Treasurer, and Nora Hundley, President of the Town Council.