

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

NEVINS TOWNSHIP  
VIGO COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
02/06/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	Mark Newport	01-01-11 to 12-31-14
Chairman of the Township Board	Cory Roberts	01-01-12 to 12-31-14



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF NEVINS TOWNSHIP, VIGO COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of Nevins Township (Township), 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 Township'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 Township'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 Township 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 Township 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 Township 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 December 11, 2014, on our consideration of the Township'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 Township'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 Township'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 Township's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Capital Assets, 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

December 11, 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 NEVINS TOWNSHIP, VIGO 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 Nevins Township (Township), 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 December 11, 2014, wherein we noted the Township 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 Township'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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township'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 are considered 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***

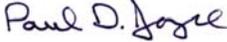
As part of obtaining reasonable assurance about whether the Township's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 and Questioned Costs as items 2013-001 and 2013-002.

***Nevins Township's Response to Findings***

The Township's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Township'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 Township'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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

December 11, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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NEVINS TOWNSHIP, VIGO COUNTY  
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
Township	\$ 19,379	\$ 47,371	\$ 33,141	\$ 33,609	\$ 49,819	\$ 42,171	\$ 41,257
Township Assistance	7,712	2,328	4,190	5,850	3,520	4,789	4,581
Fire Fighting	13,919	24,924	25,274	13,569	24,917	19,216	19,270
Rainy Day	174	-	174	-	-	-	-
Cumulative Fire	23,689	10,173	-	33,862	10,286	3,500	40,648
Nevins Township Water Project	10,276	1,171,145	1,171,145	10,276	3,570,791	3,570,791	10,276
Payroll Fund	940	2,694	3,619	15	3,052	4,730	(1,663)
Totals	<u>\$ 76,089</u>	<u>\$ 1,258,635</u>	<u>\$ 1,237,543</u>	<u>\$ 97,181</u>	<u>\$ 3,662,385</u>	<u>\$ 3,645,197</u>	<u>\$ 114,369</u>

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

NEVINS TOWNSHIP, VIGO COUNTY  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides some or all of the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

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

*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, 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 Township.

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.

NEVINS TOWNSHIP, VIGO COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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 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.

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

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 Township 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.

NEVINS TOWNSHIP, VIGO COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Township. 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 Township. 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 Township 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 Township 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 Township 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.

State statutes authorize the Township 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 Township 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.

NEVINS TOWNSHIP, VIGO COUNTY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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 Township 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. Combined Funds**

The Payroll Fund was reported separately in the current financial statement but was combined into the Township fund for the prior financial statement.

**Note 7. Cash Balance Deficit**

The financial statement contained one fund with a deficit in cash. This is a result of expenditures exceeding revenues.

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## SUPPLEMENTARY INFORMATION - UNAUDITED

For additional financial information, the Township'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 Township 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 Township. It is presented as intended by the Township.

NEVINS TOWNSHIP, VIGO COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012

	Township	Township Assistance	Fire Fighting	Rainy Day	Cumulative Fire	Nevins Township Water Project	Payroll Fund	Totals
Cash and investments - beginning	\$ 19,379	\$ 7,712	\$ 13,919	\$ 174	\$ 23,689	\$ 10,276	\$ 940	\$ 76,089
Receipts:								
Taxes	32,377	2,316	24,137	-	10,104	-	-	68,934
Intergovernmental	9,970	12	737	-	19	-	-	10,738
Charges for services	3,000	-	-	-	-	-	-	3,000
Other receipts	2,024	-	50	-	50	1,171,145	2,694	1,175,963
Total receipts	47,371	2,328	24,924	-	10,173	1,171,145	2,694	1,258,635
Disbursements:								
Personal services	15,068	1,000	-	-	-	-	-	16,068
Supplies	252	-	12,930	-	-	-	-	13,182
Other services and charges	17,595	3,190	12,344	-	-	-	-	33,129
Capital outlay	-	-	-	-	-	1,171,145	-	1,171,145
Other disbursements	226	-	-	174	-	-	3,619	4,019
Total disbursements	33,141	4,190	25,274	174	-	1,171,145	3,619	1,237,543
Excess (deficiency) of receipts over disbursements	14,230	(1,862)	(350)	(174)	10,173	-	(925)	21,092
Cash and investments - ending	\$ 33,609	\$ 5,850	\$ 13,569	\$ -	\$ 33,862	\$ 10,276	\$ 15	\$ 97,181

NEVINS TOWNSHIP, VIGO COUNTY  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	Township	Township Assistance	Fire Fighting	Rainy Day	Cumulative Fire	Nevins Township Water Project	Payroll Fund	Totals
Cash and investments - beginning	\$ 33,609	\$ 5,850	\$ 13,569	\$ -	\$ 33,862	\$ 10,276	\$ 15	\$ 97,181
Receipts:								
Intergovernmental	37,074	3,020	24,917	-	10,286	-	-	75,297
Charges for services	1,200	-	-	-	-	-	-	1,200
Other receipts	11,545	500	-	-	-	3,570,791	3,052	3,585,888
Total receipts	<u>49,819</u>	<u>3,520</u>	<u>24,917</u>	<u>-</u>	<u>10,286</u>	<u>3,570,791</u>	<u>3,052</u>	<u>3,662,385</u>
Disbursements:								
Personal services	15,900	1,000	-	-	-	-	-	16,900
Supplies	259	54	19,216	-	-	-	-	19,529
Other services and charges	26,012	3,735	-	-	3,500	-	-	33,247
Other disbursements	-	-	-	-	-	3,570,791	4,730	3,575,521
Total disbursements	<u>42,171</u>	<u>4,789</u>	<u>19,216</u>	<u>-</u>	<u>3,500</u>	<u>3,570,791</u>	<u>4,730</u>	<u>3,645,197</u>
Excess (deficiency) of receipts over disbursements	<u>7,648</u>	<u>(1,269)</u>	<u>5,701</u>	<u>-</u>	<u>6,786</u>	<u>-</u>	<u>(1,678)</u>	<u>17,188</u>
Cash and investments - ending	<u>\$ 41,257</u>	<u>\$ 4,581</u>	<u>\$ 19,270</u>	<u>\$ -</u>	<u>\$ 40,648</u>	<u>\$ 10,276</u>	<u>\$ (1,663)</u>	<u>\$ 114,369</u>

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NEVINS TOWNSHIP, VIGO COUNTY  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2013

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 10,800
Buildings	87,100
Machinery, equipment, and vehicles	155,000
Total governmental activities	252,900
Total capital assets	\$ 252,900

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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 NEVINS TOWNSHIP, VIGO COUNTY, INDIANA

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

We have audited Nevins Township's (Township) 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 Township'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 Township'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 Township'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 Township's compliance.

***Opinion on the Major Federal Program***

In our opinion, the Township 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, 2012 to December 31, 2013.

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

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-004. Our opinion on the major federal program is not modified with respect to these matters.

The Township's response to the noncompliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Township'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***

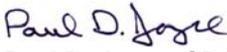
Management of the Township is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Township's internal control over compliance with the 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 Township'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 Township's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Township'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

December 11, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

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NEVINS TOWNSHIP, VIGO COUNTY  
 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>US Department of the Interior</u>					
Abandoned Mine Land Reclamation (AMLR) Program	Indiana Dept of Natural Resources				
Nevins Township Water Project		15.252	300RC1182031001	\$ 1,171,145	\$ 3,570,791

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

NEVINS TOWNSHIP, VIGO COUNTY  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Township 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 townships shall be conducted biennially. Such audits shall include both years within the biennial period.

**Note 2. Subrecipients**

Of the federal expenditures presented in the schedule, the Township provided federal awards to subrecipients as follows for the years ended December 31, 2012 and 2013:

Program Title	Federal CFDA Number	2012	2013
Abandoned Mine Land Reclamation (AMLR) Program	15.252	<u>\$1,171,145</u>	<u>\$3,570,791</u>

NEVINS TOWNSHIP, VIGO COUNTY  
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:	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:

CFDA Number	Name of Federal Program or Cluster
15.252	Abandoned Mine Land Reclamation (AMLR) Program

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

We noted several deficiencies in the internal control system of the Township related to financial transactions and reporting.

1. Lack of Segregation of Duties: The Township has not separated incompatible activities related to cash, receipts, and disbursements including payroll. The Township Trustee does all of the receipting and disbursing for the Township. The Township Clerk does the reconciliation but no one reviews the reconciliation. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

NEVINS TOWNSHIP, VIGO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

2. Monitoring of Controls: An evaluation of the Township's system of internal control has not been conducted. The failure to monitor the internal control system places the Township at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Township has no process to identify or communicate corrective actions to improve controls. To have effective internal controls over financial reporting it requires the Township to monitor and assess the quality of the system of internal control.
3. The Nevins Township Water Project funds were not included in the Township's ledger. The financial information entered into the Annual Financial Report on the Gateway System was used to compile the financial statement. The receipts and disbursements were not included for the Nevins Township Water Project fund for 2013 in the Annual Financial Report. This caused the receipts and disbursements on the financial statement to be understated by \$3,570,791. Audit adjustments were proposed, accepted by the Township, and made to the financial statement included in this report.

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 Townships, Chapter 13)

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 Townships, Chapter 13)

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 prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

***FINDING 2013-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Township did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Township Trustee gathers the information, inputs information into the Gateway Annual Report, which is used to compile the SEFA, and no one else reviews the information prior to submittal of the Annual Report.

The Township should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

NEVINS TOWNSHIP, VIGO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

During the audit of the SEFA, we noted the following errors: disbursements for 2012 were understated by \$1,171,145 and disbursements for 2013 were overstated by \$1,332,335. Audit adjustments were proposed, accepted by the Township, and made to the SEFA presented in this report.

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 Townships, Chapter 13)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section.310."

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.
- (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 the 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."

NEVINS TOWNSHIP, VIGO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**FINDING 2013-003 - INTERNAL CONTROL OVER ABANDONED  
MINE LAND RECLAMATION (AMLR) PROGRAM**

Federal Agency: US Department of the Interior

Federal Program: Abandoned Mine Land Reclamation (AMLR) Program

CFDA Number: 15.252

Federal Award Number and Year (or Other Identifying Number): 300RC1182031001 - FY 2012

Pass-Through Entity: Indiana Department of Natural Resources

Management of the Township has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirements: Cash Management; Procurement, Suspension, and Debarment; and Subrecipient Monitoring.

There is no segregation of duties or oversight by the Township Board for the Cash Management; Procurement, Suspension, and Debarment; and Subrecipient Monitoring compliance requirements.

The failure to establish an effective internal control system places the Township 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 program.

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 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 could result in the loss of federal funds to the Township.

We recommended that the Township's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

NEVINS TOWNSHIP, VIGO COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**FINDING 2013-004 - SUBRECIPIENT MONITORING**

Federal Agency: US Department of the Interior  
Federal Program: Abandoned Mine Land Reclamation (AMLR) Program  
CFDA Number: 15.252  
Federal Award Number and Year (or Other Identifying Number): 300RC1182031001 - FY 2012  
Pass-Through Entity: Indiana Department of Natural Resources

The Township did not comply with all of Subrecipient Monitoring compliance requirements. The Township did not provide the CFDA title and number and the Federal Award name and number to its subrecipients as required by federal guidelines.

OMB Circular A-133, Subpart D, section .400(d) states in part:

"Pass-through entity responsibilities. A pass-through entity shall perform the following for the Federal awards it makes:

- (1) Identify Federal awards made by informing each subrecipient of CFDA title and number, award name and number, award year, if the award is R & D, and name of Federal agency. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award. . . ."

By not providing identifying information on the Federal Awards, subrecipients will have a hard time identifying if money received from the Township is federal monies and whether they are in need of a Federal audit.

We recommended that the Township develop procedures to ensure that the Township communicate to subrecipients the CFDA title and number and the Federal Award name and number for proper reporting.

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AUDITEE PREPARED DOCUMENT

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

# Nevins Township

## CORRECTIVE ACTION PLAN

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

Contact Person Responsible for Corrective Action: Mark Newport  
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: **Lack of Segregation of Duties;** *The Trustee of the Township will: Write all checks, Clerk is to record all disbursements in Township General Ledger book. Clerk to reconcile bank statements and sign the back of the bank statement after review. Trustee will review and sign the bank statements also.*

Description of Corrective Action Plan: **Monitoring of Controls;** *We will put all of the financial records for the Water Project in the Township ledger in a place separate from other Township moneys. All Money received form the Federal Government will be reported in the Gateway Program.*  
Anticipated Completion Date:

### **FINDING 2013-002, PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Contact Person Responsible for Corrective Action: Mark Newport  
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: *The Trustee or the Clerk of the Township did not understand that the moneys were to be reported in the Gateway System (due to the lack of training by the state) or that the moneys had to be tracked in the Township ledger book. We had a spread sheet showing all incoming and outgoing of moneys that balanced to the penny however that spreadsheet could have been misplaced. We now understand how these moneys are to be reported and will convey this information to the Advisory Board and pass it along to the next Trustee.*

Anticipated Completion Date: 06/01/2015

### **FINDING 2013-003, INTERNAL CONTROL OVER ABANDONED MINE LAND RECLAMATION (AMLR) PROGRAM**

Contact Person Responsible for Corrective Action: Mark Newport  
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: *Nevins Township will make sure that in the future on all Federal projects the Trustee and the Township Advisory Board will review all invoices. After review is complete the Trustee will write all checks, Clerk is to record all disbursements in Township General Ledger book. Clerk to reconcile bank statements and sign the back of the bank statement after review. Trustee will review and sign the bank statements. There will be an annual review by the Township Advisory Board*

**FINDING 2013-004, SUBRECIPIENT MONITORING**

Contact Person Responsible for Corrective Action: Mark Newport  
Contact Phone Number: 812-870-0429

Description of Corrective Action Plan: Nevins Township *In the future when receiving Federal funds, The Township will comply with all federal regulations concerning the CFDA title and number and Federal award name and number, and will provide that information to the subrecipients. The Township will review the grant requirements and have a written plan to insure that all requirements are met.*

Mark Newport  
(Signature)

NEVINS TOWNSHIP TRUSTEE  
(Title)

12/27/2014  
(Date)

#### OTHER REPORT

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