

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD  
PIKE COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
07/09/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Loan Coordinator	Paul Lake	01-01-12 to 09-30-14
	(Vacant)	10-01-14 to 01-19-15
	Tammy Selby	01-20-15 to 12-31-15
President of the Board	Marvin Stratton	01-01-12 to 04-17-13
	Carla Willis	04-18-13 to 12-31-15



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**INDEPENDENT AUDITOR'S REPORT**

TO: THE OFFICIALS OF THE PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD, PIKE COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Petersburg/Pike County Revolving Loan Fund Administration Board (Board), 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 Board'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 Board'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 Board 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 Board 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 Board 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 Matters***

*Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Board'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.


*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Board'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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

In accordance with *Government Auditing Standards*, we have also issued a report dated May 20, 2015, on our consideration of the Board'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 Board's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

May 20, 2015



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

TO: THE OFFICIALS OF THE PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD, PIKE 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 Petersburg/Pike County Revolving Loan Fund Administration Board (Board), 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 May 20, 2015, wherein we noted the Board 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 Board'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 Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

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

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

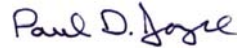
As part of obtaining reasonable assurance about whether the Board's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect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

***Petersburg/Pike County Revolving Loan Fund Administration Board's Response to Findings***

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

  
Paul D. Joyce, CPA  
State Examiner

May 20, 2015

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
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
Fund - EDA No 06-39-02634-01 Sequestered Account	\$ 242,335	\$ 122	\$ -	\$ 242,457	\$ 121	\$ 216	\$ 242,362
Pike County Loan Board Fund - Loan Fund	<u>78,245</u>	<u>185,297</u>	<u>565</u>	<u>262,977</u>	<u>24,299</u>	<u>20,635</u>	<u>266,641</u>
Totals	<u>\$ 320,580</u>	<u>\$ 185,419</u>	<u>\$ 565</u>	<u>\$ 505,434</u>	<u>\$ 24,420</u>	<u>\$ 20,851</u>	<u>\$ 509,003</u>

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

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

The Board was established under the laws of the State of Indiana. The Board operates under an appointed governing board.

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

*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:

Other receipts which include amounts received from various sources which can include, but are not limited to the following: repayment of economic development loans and transfers made at the direction of the Federal granting agency.

*E. Disbursements*

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

Other services and charges which include, but are not limited to: insurance and economic development loans.

Other disbursements which include, but are not limited to the following: transfers out that are made at the direction of the Federal granting agency.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Interfund Transfers*

The Board 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 made at the direction of the Federal granting agency.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Board. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on the funds are set by the Federal granting agency. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes.

**Note 2. Deposits and Investments**

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

State statutes authorize the Board 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 3. Risk Management**

The Board may be exposed to various risks of loss related to torts 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 Board 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.

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#### OTHER INFORMATION - UNAUDITED

The Board's Annual Financial 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 Financial Reports of the Board 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 other information presented was approved by management of the Board. It is presented as intended by the Board.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
 COMBINING SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2012

	Fund - EDA No 06-39-02634-01 Sequestered Account	Pike County Loan Board Fund - Loan Fund	Totals
Cash and investments - beginning	\$ 242,335	\$ 78,245	\$ 320,580
Receipts:			
Other receipts	122	185,297	185,419
Total receipts	122	185,297	185,419
Disbursements:			
Other services and charges	-	565	565
Total disbursements	-	565	565
Excess of receipts over disbursements	122	184,732	184,854
Cash and investments - ending	\$ 242,457	\$ 262,977	\$ 505,434

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
 COMBINING SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND  
 INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	Fund - EDA No 06-39-02634-01 Sequestered Account	Pike County Loan Board Fund - Loan Fund	Totals
Cash and investments - beginning	\$ 242,457	\$ 262,977	\$ 505,434
Receipts:			
Other receipts	121	24,299	24,420
Total receipts	121	24,299	24,420
Disbursements:			
Other services and charges	-	20,635	20,635
Other disbursements	216	-	216
Total disbursements	216	20,635	20,851
Excess (deficiency) of receipts over disbursements	(95)	3,664	3,569
Cash and investments - ending	\$ 242,362	\$ 266,641	\$ 509,003

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PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
SCHEDULE OF PAYABLES AND RECEIVABLES  
December 31, 2013

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ <u>                    </u> -	\$ <u>          195,808</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE PETERSBURG/PIKE COUNTY REVOLVING  
LOAN FUND ADMINISTRATION BOARD, PIKE COUNTY, INDIANA

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

We have audited the Petersburg/Pike County Revolving Loan Fund Administration Board's (Board) 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 Board'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 Board's major federal program based on our audit of the types of compliance requirements referred to above. Except as discussed in the following paragraph, 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 Board'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 Board's compliance.



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

***Basis for Qualified Opinion on the Economic Development Cluster***

As described in items 2013-004 and 2013-006 in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Board with the Economic Development Cluster regarding Reporting and Special Tests and Provisions - Increases to RLF Capital Base and Capital Utilization, nor were we able to satisfy ourselves as to the Board's compliance with those requirements by other auditing procedures. Consequently, we were unable to determine whether the Board complied with these requirements applicable to the program. Additionally, as described in item 2013-005 in the accompanying Schedule of Findings and Questioned Costs, the Board did not comply with requirements regarding Special Tests and Provisions - Loan Requirements that are applicable to its Economic Development Cluster. Compliance with such requirements is necessary, in our opinion, for the Board to comply with requirements applicable to that program.

***Qualified Opinion on the Economic Development Cluster***

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding the Board's compliance and the noncompliance described in the *Basis for Qualified Opinion on the Economic Development Cluster* paragraph, the Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Development Cluster for the period of January 1, 2012 to December 31, 2013.

***Other Matters***

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

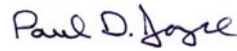
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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

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

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 Board's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Board'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

May 20, 2015

#### 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 Board. The schedule and notes are presented as intended by the Board.

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PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Commerce</u>					
Economic Development Cluster					
Economic Adjustment Assistance	Direct Grant	11.307	063902634	\$ 658,316 (A)	\$ 664,389 (A)
Total federal awards expended				<u>\$ 658,316</u>	<u>\$ 664,389</u>

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

	2012	2013
(A) Calculation of Economic Adjustment Assistance Federal Expenditures:		
Balance of Outstanding Revolving Loan Funds (RLF) at December 31	\$ 193,045	\$ 195,808
Revolving Loan Fund (RLF) Cash and Investment Balance at December 31	505,434	509,003
Administrative Expenses paid from Revolving Fund Loan (RFL) income during 2012	519	635
Total Calculation Basis	698,998	705,446
Multiplied by Original Federal Share of Revolving Loan Funds (RLF)	<u>94.18%</u>	<u>94.18%</u>
Amount Reported in Schedule of Expenditures of Federal Awards	<u>\$ 658,316</u>	<u>\$ 664,389</u>

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATIVE BOARD  
NOTES 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 Board and is presented in accordance with a calculation prescribed by the Federal granting agency, as presented on the face of the schedule.

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 5-11-1-25), audits of administrative boards shall be conducted biennially. Such audits shall include both years within the biennial period.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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

Financial Statement:

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

Federal Awards:

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

Identification of Major Program:

\_\_\_\_\_  
Name of Federal Program or Cluster

Economic Development Cluster

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

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

**FINDING 2013-001 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The Board 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 Board 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.

During the audit of the SEFA, we noted the following error: The calculation of the Economic Adjustment Assistance program expenditures for both years were inaccurate. Audit adjustments were proposed, accepted by the Board, and made to the SEFA presented in this report.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
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 Special Districts, Chapter 10)

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 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."



PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

***FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

1. Lack of Segregation of Duties: The Board has not separated incompatible activities related to receipts, disbursements, and cash and investments. One person is solely responsible for all aspects of receipting, disbursing, and reconciling the bank accounts with no oversight or review process. 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.
2. Monitoring of Controls: An evaluation of the Board's system of internal control has not been conducted. The failure to monitor the internal control system places the Board 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 Board has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting require the Board to monitor and assess the quality of the system of internal control.

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 Special Districts, Chapter 10)

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

***FINDING 2013-003 - INTERNAL CONTROL OVER THE ECONOMIC ADJUSTMENT ASSISTANCE PROGRAM***

Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number: 063902634  
Pass-Through Entity: Direct Grant

Management of the Board has not established an effective internal control system, which would include segregation of duties related to the grant agreement and the following compliance requirements: Allowable Activities, Allowable Costs, Program Income, Reporting, and Special Tests and Provisions.

No controls could be identified for any compliance requirement. One person is solely responsible for all aspects of all applicable compliance requirements with no review or oversight process.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

***FINDING 2013-004 - REPORTING***

Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number: 063902634  
Pass-Through Entity: Direct Grant

Special Report ED-209 is required to be submitted to the Economic Development Agency (EDA) semiannually. Though all required reports for the audit period were submitted, only four were available for audit.

Much of the ED-209 Report is dependent upon cumulative figures arising from activity and calculations from prior periods. The grant records did not contain documentation to support the cumulative amounts from prior periods reported on the ED-209 reports. These cumulative amounts factor into current reporting period key figures such as RLF Income Earned to Date, Status of RLF Capital, and Current Balance Available for New Loans, as well as the calculation of Capital Utilization. Due to the lack of cumulative records containing this information, we were unable to verify the accuracy of the reports. Additionally, the reports indicate that Program Specific Audits have been performed and filed on time with the Federal Audit Clearinghouse. However, no such audits have occurred, nor been submitted to the Federal Audit Clearinghouse.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

15 CFR 24.20(b) states in part:

- "(1) *Financial reporting.* Accurate, current, and complete disclosure of the financial results of financially assisted activities must be made in accordance with the financial reporting requirements of the grant or subgrant.
- (2) *Accounting records.* Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially-assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income."

Failure to maintain records that accumulate data for the required reports hinders the Board's ability to adequately prepare and monitor reports. Noncompliance with the grant agreement or the reporting compliance requirements could result in the loss of federal funds to the Board.

We recommended the Board maintain grant records that adequately identify and document data required to prepare the ED-209 reports.

***FINDING 2013-005 - SPECIAL TESTS AND PROVISIONS - LOAN REQUIREMENTS***

Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number: 063902634  
Pass-Through Entity: Direct Grant

Loan files for loans that were active during the audit period do not contain the minimum standard loan documentation nor has the Board certified that these documents were in place and had been reviewed by its legal counsel.

Of the nine active loans during the audit period, there were two loans for which no loan file could be located. Of the remaining seven, one did not have a loan application in the file, seven did not have a loan agreement in the file, seven did not have a copy of the Board meeting minutes approving the RLF loan in the file, three did not have a promissory note in the file, three did not have a security agreement in the file, one file did not have a deed of trust or mortgage, nor enough information in the file to determine if one was applicable, five files either did not have an agreement of prior lien holder or enough information to determine if one was applicable, and five files did not have a signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

13 CFR 307.15 (b)(2) states:

"Prior to the disbursement of any EDA funds, the RLF Recipient shall certify that standard RLF loan documents reasonably necessary or advisable for lending are in place and that these documents have been reviewed by its legal counsel for adequacy and compliance with the terms and conditions of the Grant and applicable State and local law. The standard loan documents must include, at a minimum, the following:

- (i) Loan application;
- (ii) Loan agreement;

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

- (iii) Board of directors' meeting minutes approving the RLF loan;
- (iv) Promissory note;
- (v) Security agreement(s);
- (vi) Deed of trust or mortgage (as applicable);
- (vii) Agreement of prior lien holder (as applicable); and
- (viii) Signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed. EDA will permit the RLF Recipient to accept alternate documentation only if such documentation is allowed in the Recipient's EDA-approved RLF Plan."

Failure to secure and certify the minimum standard loan documents prior to the lending of EDA funds could result in the improper lending of funds. Noncompliance could result in difficulty collecting on defaulted loans and the loss of federal funds to the Board.

We recommended that the Board develop a system for ensuring that prior to the disbursement of loan funds, the minimum required loan documents are in place and have been reviewed by legal counsel for adequacy and compliance with the terms and conditions of the grant and state and local laws, and that all documents are retained for audit of the program.

***FINDING 2013-006 - SPECIAL TESTS AND PROVISIONS - INCREASES  
TO RLF CAPITAL BASE AND CAPITAL UTILIZATION***

Federal Agency: Department of Commerce  
Federal Program: Economic Adjustment Assistance  
CFDA Number: 11.307  
Federal Award Number: 063902634  
Pass-Through Entity: Direct Grant

RLF Capital Base could not be verified. Therefore, it could not be determined if the Board was in compliance with the capital utilization standard or if the proper amount of excess funds had been sequestered. The federal portion of the interest earned on the sequestered funds was not remitted in a timely manner.

Because the Board does not keep cumulative records to support the amount reported as the RLF Capital Base, and because they do not retain communications concerning sequestration from the EDA, the exact amount that should be sequestered cannot be determined, nor verified against directives from EDA. Additionally, the ledger for the Fund - EDA No 06-39-02634-01 Sequestered Account has not been posted since May 31, 2012, and the federal portion of the interest earned on the sequestered fund was not remitted at all during 2012 and only once during 2013.

PETERSBURG/PIKE COUNTY REVOLVING LOAN FUND ADMINISTRATION BOARD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

13 CFR 307.16(c) states in part:

*"Capital utilization standard.*

- (1) During the Revolving Phase, RLF Recipients must manage their repayment and lending schedules to provide that at all times at least 75 percent of the RLF Capital is loaned or committed. The following exceptions apply: . . .
  - (ii) FEDA may require an RLF Recipient with an RLF Capital base in excess of \$4 million to adopt a Plan that maintains a proportionately higher percentage of its funds loaned.
- (2) When the percentage of loaned RLF Capital falls below the capital utilization standard, the dollar amount of the RLF funds equivalent to the difference between the actual percentage of RLF Capital loaned and the capital utilization standard is referred to as 'excess funds.'
  - (i) *Sequestration of excess funds.* If the RLF Recipient fails to satisfy the capital utilization standard for two consecutive Reporting Periods, EDA may require the RLF Recipient to deposit excess funds in an interest-bearing account. The portion of interest earned on the account holding excess funds attributable to the Federal Share (as defined in §314.5 of this chapter) of the RLF Grant shall be remitted to the U.S. Treasury. The RLF Recipient must obtain EDA's written authorization to withdraw any sequestered funds."

U.S. Department of Commerce Economic Development Administration Revolving Loan Fund Financial Assistance Award Standard Terms and Conditions (May 1, 2013), RLF RECIPIENTS' MANAGEMENT AND ADMINISTRATIVE REQUIREMENTS, Chapter E. Effective Utilization of Revolving Loan Funds, Section 3. Remittance of Interest on Sequestered Funds states in part: "The portion of the interest earned on the account holding sequestered funds that is attributable to the EDA share of the Award must be remitted semi-annually to EDA within 30 days of the end of each semi-annual Reporting Period . . ."

Failure to maintain adequate cumulative records concerning the RLF Capital Base could result in inaccurate RLF reporting and in not sequestering the proper amount of funds. Noncompliance with the above listed requirements could result in the loss of federal funds to the Board.

We recommended that the Board maintain grant records to support the RLF Capital Base and to determine if the proper amount of excess funds are sequestered. We also recommended that interest earned on the sequestered funds be remitted in a timely manner.

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#### AUDITEE PREPARED DOCUMENT

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

PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-001

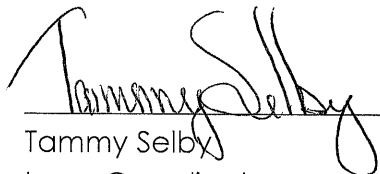
ESTIMATED COMPLETION DATE: Before 12/31/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

More time needs to be given on the Federal Awards. A schedule of expenditures should be drawn up which lists the amount of awards for each and its CFDA number or a number that is identified with the award.



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Tammy Selby  
Loan Coordinator  
05/20/2015



PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-002

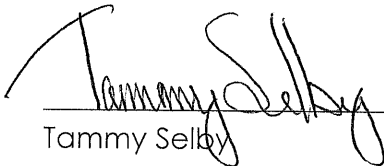
ESTIMATED COMPLETION DATE: Before 06/01/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

Reports will be made up each month and reported to the Board for their approval. An approval sheet will be attached for each signature. Each report that is to be done will be constructed and then approved by the Board also.

A handwritten signature in black ink, appearing to read "Tammy Selby", is written over a horizontal line.

Tammy Selby  
Loan Coordinator  
05/20/2015

PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-003

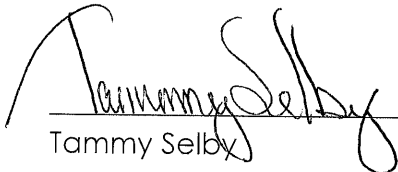
ESTIMATED COMPLETION DATE: Before 06/01/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

Monthly reports will be drawn up for approval of the Board. Also approval sheets will be made for each of the Board members to sign showing their approval. These will be done monthly. This is accordance with the grant agreements and requirements.

A handwritten signature in black ink, appearing to read "Tammy Selby", is written over a horizontal line.

Tammy Selby  
Loan Coordinator  
05/20/2015

PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-004

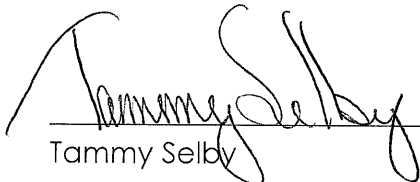
ESTIMATED COMPLETION DATE: Before 06/30/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

Accurate reporting and activities will be established and reported to the Board to adequately report the ED-209

A handwritten signature in black ink, appearing to read "Tammy Selby", is written over a horizontal line.

Tammy Selby  
Loan Coordinator

05/20/2015

PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-005

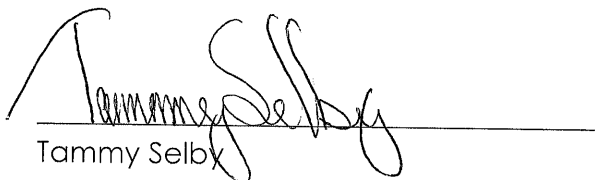
ESTIMATED COMPLETION DATE: Before 06/30/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

Loans will all be kept in their loan files. All should be kept together for audit purposes. All minutes should also be approved and kept in their files for each meeting. These files will be reviewed by the Board to make sure it is all in place.

A handwritten signature in black ink, appearing to read 'Tammy Selby', is written over a horizontal line.

Tammy Selby  
Loan Coordinator  
05/20/2015

PIKE REVOLVING LOAN BOARD  
704 E MAIN STREET  
PETERSBURG, IN 47567

CORRECTIVE ACTION PLAN

FINDING 2013-006

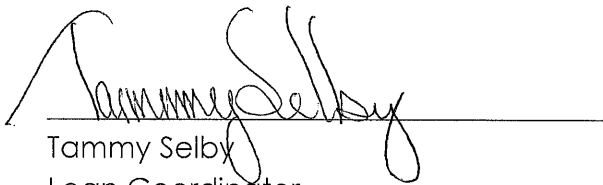
ESTIMATED COMPLETION DATE: Before 12/31/2015

AUDITEE CONTACT PERSON: Tammy Selby

PHONE NUMBER OF CONTACT PERSON: 812-354-8511

Description of Corrective Action Plan:

Cumulative records need to be kept to support the amount reported as the RLF Capital base of excess funds that had been sequestered. This needs to be remitted in a timely manner. This also will be reviewed by the Board.

A handwritten signature in black ink, appearing to read "Tammy Selby", is written over a horizontal line.

Tammy Selby  
Loan Coordinator  
05/20/2015

#### OTHER REPORT

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