

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

FINANCIAL STATEMENT AND FEDERAL  
SINGLE AUDIT REPORT  
OF

TOWN OF CROTHERSVILLE  
JACKSON COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
09/11/2015



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#### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michelle Teipen Terry L. Richey	01-01-12 to 03-13-14 03-14-14 to 12-31-15
President of the Town Council	Ardell Mitchell	01-01-12 to 12-31-15



# STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

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

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

## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

### ***Report on the Financial Statement***

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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

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

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

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

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

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

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

***Other Matters***

*Supplementary Information*

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

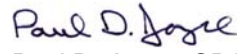
*Other Information*

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Leases and Debt, 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.

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 July 8, 2015, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

  
Paul D. Joyce, CPA  
State Examiner

July 8, 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 TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Crothersville (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated July 8, 2015, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

### ***Internal Control Over Financial Reporting***

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

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

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



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

***Compliance and Other Matters***


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

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

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

***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

July 8, 2015

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

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

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 278,102	\$ 242,511	\$ 367,581	\$ 153,032	\$ 453,466	\$ 283,395	\$ 323,103
Motor Vehicle Highway	82,586	41,477	36,743	87,320	46,096	49,057	84,359
Local Road And Street	29,732	7,537	13,969	23,300	7,579	14,457	16,422
Local Law Enforcement Continuing Educ	8,841	1,145	533	9,453	1,154	865	9,742
Unsafe Building	864	-	-	864	6,372	-	7,236
Riverboat	68,512	45	52,236	16,321	18,850	4,485	30,686
Park Operating/Repairs	366	-	56	310	21	-	331
Rainy Day	12,920	-	-	12,920	-	-	12,920
CEDIT	93,499	18,947	14,841	97,605	111,864	99,250	110,219
Levy Excess	441	-	-	441	-	-	441
Cumulative Capital Improvement	31,442	4,220	-	35,662	4,271	-	39,933
Cumulative Capital Development	73,546	58	26,469	47,135	15,992	11,977	51,150
Park Nonreverting Capital	8,442	-	-	8,442	-	-	8,442
Police Asset Forfeiture Account	16,753	-	12,500	4,253	-	-	4,253
Nonreverting Housing Fund	11,938	198,237	209,150	1,025	35,093	35,818	300
Police Reserve	448	250	-	698	-	-	698
Building Fund	210	-	-	210	-	-	210
Community Grant Fund	-	-	-	-	24,000	24,000	-
Payroll	23,025	415,644	433,313	5,356	371,455	370,915	5,896
Sewer Construction	700	3,041,270	3,041,205	765	264,734	265,495	4
Sewage Utility Operating	68,475	438,396	424,244	82,627	489,503	434,601	137,529
Sewage Utility Bond and Interest	33,354	104,200	77,357	60,197	91,600	75,511	76,286
Sewage Utility Depreciation	106,878	-	800	106,078	-	11,884	94,194
Sewer Change Fund	100	-	-	100	-	-	100
Sewer Reserve	96,117	-	-	96,117	4	11,422	84,699
Water Utility-Operating	145,078	404,054	435,008	114,124	410,954	430,198	94,880
Water Utility-Bond And Interest	82,032	550,706	529,615	103,123	130,800	73,092	160,831
Water Utility Depreciation	57,945	24,000	19,704	62,241	24,000	24,471	61,770
Water Meter Deposits	28,575	6,375	4,875	30,075	7,725	5,975	31,825
Water Cash Change Fund	150	-	-	150	-	-	150
Water Project	16,326	118	-	16,444	40	-	16,484
Water Reserve	143,906	-	124,606	19,300	-	-	19,300
Totals	<u>\$ 1,521,303</u>	<u>\$ 5,499,190</u>	<u>\$ 5,824,805</u>	<u>\$ 1,195,688</u>	<u>\$ 2,515,573</u>	<u>\$ 2,226,868</u>	<u>\$ 1,484,393</u>

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

TOWN OF CROTHERSVILLE  
NOTES TO FINANCIAL STATEMENT

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

**A. Reporting Entity**

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

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

**B. Basis of Accounting**

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

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

**C. Cash and Investments**

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

**D. Receipts**

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

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

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

TOWN OF CROTHERSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

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

Penalties which include fees received for late payments.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution, or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements 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.

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

TOWN OF CROTHERSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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



TOWN OF CROTHERSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

**Note 5. *Risk Management***

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

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

**Note 6. *Pension Plan***

*Public Employees' Retirement Fund*

*Plan Description*

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

TOWN OF CROTHERSVILLE  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

*Funding Policy and Annual Pension Cost*

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

#### OTHER INFORMATION - UNAUDITED

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

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

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

	General	Motor Vehicle Highway	Local Road And Street	Local Law Enforcement Continuing Education	Unsafe Building	Riverboat	Park Operating/Repairs
Cash and investments - beginning	\$ 278,102	\$ 82,586	\$ 29,732	\$ 8,841	\$ 864	\$ 68,512	\$ 366
Receipts:							
Taxes	119,437	-	-	-	-	-	-
Licenses and permits	10,979	-	-	895	-	-	-
Intergovernmental	87,451	41,077	7,537	-	-	-	-
Charges for services	1,800	400	-	250	-	-	-
Fines and forfeits	24	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	22,820	-	-	-	-	45	-
Total receipts	242,511	41,477	7,537	1,145	-	45	-
Disbursements:							
Personal services	184,663	-	-	-	-	-	-
Supplies	23,375	5,299	13,969	-	-	-	56
Other services and charges	97,584	31,444	-	533	-	52,236	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	52,459	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	9,500	-	-	-	-	-	-
Total disbursements	367,581	36,743	13,969	533	-	52,236	56
Excess (deficiency) of receipts over disbursements	(125,070)	4,734	(6,432)	612	-	(52,191)	(56)
Cash and investments - ending	\$ 153,032	\$ 87,320	\$ 23,300	\$ 9,453	\$ 864	\$ 16,321	\$ 310

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

	Rainy Day	CEDIT	Levy Excess	Cumulative Capital Improvement	Cumulative Capital Development	Park Nonreverting Capital	Police Asset Forfeiture Account
Cash and investments - beginning	\$ 12,920	\$ 93,499	\$ 441	\$ 31,442	\$ 73,546	\$ 8,442	\$ 16,753
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	18,829	-	4,220	58	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	118	-	-	-	-	-
Total receipts	-	18,947	-	4,220	58	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	13,969	-	-
Other services and charges	-	14,841	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	12,500	-	12,500
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	14,841	-	-	26,469	-	12,500
Excess (deficiency) of receipts over disbursements	-	4,106	-	4,220	(26,411)	-	(12,500)
Cash and investments - ending	\$ 12,920	\$ 97,605	\$ 441	\$ 35,662	\$ 47,135	\$ 8,442	\$ 4,253

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

	Nonreverting Housing Fund	Police Reserve	Building Fund	Community Grant Fund	Payroll	Sewer Construction	Sewage Utility Operating
Cash and investments - beginning	\$ 11,938	\$ 448	\$ 210	\$ -	\$ 23,025	\$ 700	\$ 68,475
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	198,237	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	250	-	-	-	-	-
Utility fees	-	-	-	-	-	-	437,218
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	415,644	3,041,270	1,178
Total receipts	198,237	250	-	-	415,644	3,041,270	438,396
Disbursements:							
Personal services	-	-	-	-	-	-	104,778
Supplies	-	-	-	-	-	-	-
Other services and charges	209,150	-	-	-	-	-	10,135
Debt service - principal and interest	-	-	-	-	-	-	333
Capital outlay	-	-	-	-	-	3,041,205	-
Utility operating expenses	-	-	-	-	-	-	204,798
Other disbursements	-	-	-	-	433,313	-	104,200
Total disbursements	209,150	-	-	-	433,313	3,041,205	424,244
Excess (deficiency) of receipts over disbursements	(10,913)	250	-	-	(17,669)	65	14,152
Cash and investments - ending	\$ 1,025	\$ 698	\$ 210	\$ -	\$ 5,356	\$ 765	\$ 82,627

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

	Sewage Utility Bond and Interest	Sewage Utility Depreciation	Sewer Change Fund	Sewer Reserve	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 33,354	\$ 106,878	\$ 100	\$ 96,117	\$ 145,078	\$ 82,032
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	397,803	-
Penalties	-	-	-	-	2,717	-
Other receipts	104,200	-	-	-	3,534	550,706
Total receipts	104,200	-	-	-	404,054	550,706
Disbursements:						
Personal services	-	-	-	-	145,499	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	77,357	-	-	-	-	517,600
Capital outlay	-	800	-	-	-	-
Utility operating expenses	-	-	-	-	134,709	-
Other disbursements	-	-	-	-	154,800	12,015
Total disbursements	77,357	800	-	-	435,008	529,615
Excess (deficiency) of receipts over disbursements	26,843	(800)	-	-	(30,954)	21,091
Cash and investments - ending	\$ 60,197	\$ 106,078	\$ 100	\$ 96,117	\$ 114,124	\$ 103,123

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

	Water Utility Depreciation	Water Meter Deposits	Water Cash Change Fund	Water Project	Water Reserve	Totals
Cash and investments - beginning	\$ 57,945	\$ 28,575	\$ 150	\$ 16,326	\$ 143,906	\$ 1,521,303
Receipts:						
Taxes	-	-	-	-	-	119,437
Licenses and permits	-	-	-	-	-	11,874
Intergovernmental	-	-	-	-	-	357,409
Charges for services	-	-	-	-	-	2,450
Fines and forfeits	-	-	-	-	-	274
Utility fees	-	-	-	-	-	835,021
Penalties	-	-	-	-	-	2,717
Other receipts	24,000	6,375	-	118	-	4,170,008
Total receipts	24,000	6,375	-	118	-	5,499,190
Disbursements:						
Personal services	-	-	-	-	-	434,940
Supplies	-	-	-	-	-	56,668
Other services and charges	-	-	-	-	-	415,923
Debt service - principal and interest	-	-	-	-	-	595,290
Capital outlay	19,704	-	-	-	-	3,139,168
Utility operating expenses	-	4,875	-	-	-	344,382
Other disbursements	-	-	-	-	124,606	838,434
Total disbursements	19,704	4,875	-	-	124,606	5,824,805
Excess (deficiency) of receipts over disbursements	4,296	1,500	-	118	(124,606)	(325,615)
Cash and investments - ending	\$ 62,241	\$ 30,075	\$ 150	\$ 16,444	\$ 19,300	\$ 1,195,688



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

	General	Motor Vehicle Highway	Local Road And Street	Local Law Enforcement Continuing Education	Unsafe Building	Riverboat	Park Operating/Repairs
Cash and investments - beginning	\$ 153,032	\$ 87,320	\$ 23,300	\$ 9,453	\$ 864	\$ 16,321	\$ 310
Receipts:							
Taxes	327,262	-	-	-	-	-	-
Licenses and permits	12	-	-	780	-	-	-
Intergovernmental	100,731	45,642	7,579	-	-	18,850	-
Charges for services	24,312	454	-	-	-	-	-
Fines and forfeits	1,030	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	119	-	-	374	6,372	-	21
Total receipts	453,466	46,096	7,579	1,154	6,372	18,850	21
Disbursements:							
Personal services	129,515	9,840	-	-	-	-	-
Supplies	19,808	-	-	-	-	-	-
Other services and charges	82,645	39,217	14,457	865	-	4,485	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	51,427	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	283,395	49,057	14,457	865	-	4,485	-
Excess (deficiency) of receipts over disbursements	170,071	(2,961)	(6,878)	289	6,372	14,365	21
Cash and investments - ending	\$ 323,103	\$ 84,359	\$ 16,422	\$ 9,742	\$ 7,236	\$ 30,686	\$ 331

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

	Rainy Day	CEDIT	Levy Excess	Cumulative Capital Improvement	Cumulative Capital Development	Park Nonreverting Capital	Police Asset Forfeiture Account
Cash and investments - beginning	\$ 12,920	\$ 97,605	\$ 441	\$ 35,662	\$ 47,135	\$ 8,442	\$ 4,253
Receipts:							
Taxes	-	-	-	-	15,048	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	111,824	-	4,271	56	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	40	-	-	888	-	-
Total receipts	-	111,864	-	4,271	15,992	-	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	99,250	-	-	5,500	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	6,477	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	99,250	-	-	11,977	-	-
Excess (deficiency) of receipts over disbursements	-	12,614	-	4,271	4,015	-	-
Cash and investments - ending	\$ 12,920	\$ 110,219	\$ 441	\$ 39,933	\$ 51,150	\$ 8,442	\$ 4,253

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

	Nonreverting Housing Fund	Police Reserve	Building Fund	Community Grant Fund	Payroll	Sewer Construction	Sewage Utility Operating
Cash and investments - beginning	\$ 1,025	\$ 698	\$ 210	\$ -	\$ 5,356	\$ 765	\$ 82,627
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	264,734	439,553
Penalties	-	-	-	-	-	-	9,345
Other receipts	35,093	-	-	24,000	371,455	-	40,605
Total receipts	35,093	-	-	24,000	371,455	264,734	489,503
Disbursements:							
Personal services	-	-	-	-	-	-	97,487
Supplies	-	-	-	-	-	-	-
Other services and charges	35,818	-	-	-	-	-	13,542
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	265,495	-
Utility operating expenses	-	-	-	-	-	-	231,972
Other disbursements	-	-	-	24,000	370,915	-	91,600
Total disbursements	35,818	-	-	24,000	370,915	265,495	434,601
Excess (deficiency) of receipts over disbursements	(725)	-	-	-	540	(761)	54,902
Cash and investments - ending	\$ 300	\$ 698	\$ 210	\$ -	\$ 5,896	\$ 4	\$ 137,529

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

	Sewage Utility Bond and Interest	Sewage Utility Depreciation	Sewer Change Fund	Sewer Reserve	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 60,197	\$ 106,078	\$ 100	\$ 96,117	\$ 114,124	\$ 103,123
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	373,175	-
Penalties	-	-	-	-	11,446	-
Other receipts	91,600	-	-	4	26,333	130,800
Total receipts	91,600	-	-	4	410,954	130,800
Disbursements:						
Personal services	-	-	-	-	43,133	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	13,542	-
Debt service - principal and interest	75,511	-	-	-	-	73,092
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	11,884	-	11,422	218,723	-
Other disbursements	-	-	-	-	154,800	-
Total disbursements	75,511	11,884	-	11,422	430,198	73,092
Excess (deficiency) of receipts over disbursements	16,089	(11,884)	-	(11,418)	(19,244)	57,708
Cash and investments - ending	\$ 76,286	\$ 94,194	\$ 100	\$ 84,699	\$ 94,880	\$ 160,831

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

	Water Utility Depreciation	Water Meter Deposits	Water Cash Change Fund	Water Project	Water Reserve	Totals
Cash and investments - beginning	\$ 62,241	\$ 30,075	\$ 150	\$ 16,444	\$ 19,300	\$ 1,195,688
Receipts:						
Taxes	-	-	-	-	-	342,310
Licenses and permits	-	-	-	-	-	792
Intergovernmental	-	-	-	-	-	288,953
Charges for services	-	-	-	-	-	24,766
Fines and forfeits	-	-	-	-	-	1,030
Utility fees	-	-	-	-	-	1,077,462
Penalties	-	-	-	-	-	20,791
Other receipts	24,000	7,725	-	40	-	759,469
Total receipts	24,000	7,725	-	40	-	2,515,573
Disbursements:						
Personal services	-	-	-	-	-	279,975
Supplies	-	-	-	-	-	19,808
Other services and charges	-	-	-	-	-	309,321
Debt service - principal and interest	-	-	-	-	-	148,603
Capital outlay	-	-	-	-	-	323,399
Utility operating expenses	24,471	5,975	-	-	-	504,447
Other disbursements	-	-	-	-	-	641,315
Total disbursements	24,471	5,975	-	-	-	2,226,868
Excess (deficiency) of receipts over disbursements	(471)	1,750	-	40	-	288,705
Cash and investments - ending	\$ 61,770	\$ 31,825	\$ 150	\$ 16,484	\$ 19,300	\$ 1,484,393

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

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Sewer:			
Revenue bonds	Sewer Utility Improvement	\$ 2,110,000	\$ 81,517
Water:			
Revenue bonds	Water Utility Improvement	178,000	73,210
Totals		\$ 2,288,000	\$ 154,727

TOWN OF CROTHERSVILLE  
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:	
Machinery, equipment, and vehicles	\$ 5,622,195
Sewer:	
Land	4,680
Buildings	3,542,452
Improvements other than buildings	426,400
Machinery, equipment, and vehicles	124,946
Total Sewer	4,098,478
Water:	
Land	35,563
Buildings	1,247,447
Improvements other than buildings	2,306,469
Machinery, equipment, and vehicles	531,123
Total Water	4,120,602
Total capital assets	\$ 13,841,275

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF CROTHERSVILLE, JACKSON COUNTY, INDIANA

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

We have audited the Town of Crothersville's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the period of January 1, 2012 to December 31, 2013. The Town's major federal programs are 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 each of the Town's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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)

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


Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003 to be material weaknesses.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

  
Paul D. Joyce, CPA  
State Examiner

July 8, 2015

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

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

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TOWN OF CROTHERSVILLE  
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 AGRICULTURE</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct grant	10.760			
Sewer Construction Project			92-01	\$ 1,750,000	\$ 186,000
Total - Department of Agriculture				<u>1,750,000</u>	<u>186,000</u>
<u>DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program	Indiana Office of Community and Rural Affairs				
and Non-Entitlement Grants in Hawaii					
Sewer Construction Project		14.228	DR2-09-198	1,291,270	76,145
Community Grant Fund		14.228	PL-12-014	-	24,000
Non-Reverting Housing	Indiana Housing and Community Development Authority	14.228	HD-011-009	<u>197,937</u>	<u>35,093</u>
Total - CDBG - State-Administered CDBG Cluster				<u>1,489,207</u>	<u>135,238</u>
Total - Department of Housing and Urban Development				<u>1,489,207</u>	<u>135,238</u>
Total federal awards expended				<u>\$ 3,239,207</u>	<u>\$ 321,238</u>

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

TOWN OF CROTHERSVILLE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1-25), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.



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

Identification of Major Programs:

Name of Federal Program or Cluster

Water and Waste Program Cluster  
CDBG - State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

**Section II Financial Statement Findings**

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

The Town 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 Town 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.

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

During the audit of the SEFA, we noted that grant information for one federal program in the amount of \$1,936,000 was not properly reported.

Audit adjustments were proposed, accepted by the Town, 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 Cities and Towns, Chapter 7)

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.

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

- (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."

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

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

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

*Cash and Investments* - Bank reconcilements presented for audit do not indicate proper oversight of monthly bank reconcilements being performed. The 2nd Deputy Clerk-Treasurer prepares the monthly bank reconcilements and these are given to the Clerk-Treasurer to review and approve. No evidence was presented for audit to document this review.

*Receipts* - One employee in the Clerk-Treasurer's Office is responsible for issuing receipts, making deposits, and posting receipt transactions. The activity related to receipts was not subjected to a review process.

2. Monitoring of Controls : Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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

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

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

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

***FINDING 2013-003 - DAVIS-BACON ACT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): DR2-09-198  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system related to the grant agreement and the compliance requirements related to the Davis-Bacon Act.

The Town hired a Grant Administrator to help administer the grant requirements, including the requirements over the Davis-Bacon Act for labor standards. Compliance requirements included monitoring of certified payrolls filed by contractors and subcontractors, as applicable. However, the Town did not retain copies of the certified payrolls reviewed by the Grant Administrator to document that the Town monitored to ensure that the compliance requirements were being met.

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. An internal control system 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. This is accomplished by making sure proper oversight, reviews, and approvals take place over certain activities related to the program.

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

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

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

We recommended that the Town's management establish and implement controls related to the grant agreement and the compliance requirements related to the Davis-Bacon Act.

#### AUDITEE PREPARED DOCUMENT

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

# TOWN OF CROTHERSVILLE

111 East Howard Street  
Crothersville Indiana 47229  
812-793-2311 \* 812-793-2315

## CORRECTIVE ACTION PLAN

### FINDING 2013-001: **PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

#### DESCRIPTION OF CORRECTIVE ACTION PLAN:

In the future, our office will make sure that federal grant awards are reported properly and on time on the annual report. After entering the grant schedule on Gateway, the report will be submitted to the governing board for their approval.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

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

#### DESCRIPTION OF CORRECTIVE ACTION PLAN:

Our office will work together to see that controls are in place in the handling of all financial transactions and reporting. We will verify work done by others, sign and date in order to comply with the internal controls required by the State Board of Accounts.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

### FINDING 2013-003: **DAVIS-BACON**

#### DESCRIPTION OF CORRECTIVE ACTION PLAN:

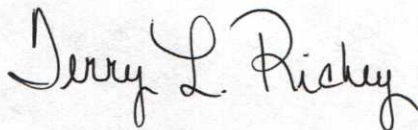


On any future construction projects, the town will work together with our contracted administrator, ARA, Administrative Resources association, to see that the requirements of the Davis-Bacon act are met by holding monthly meetings between the governing board and ARA.

ANTICIPATED COMPLETION DATE: Plan being immediately implemented.

CONTACT PERSON RESPONSIBLE FOR ALL CORRECTIVE ACTIONS: Terry L. Richey  
CONTACT PHONE NUMBER: 812-793-2311

Sincerely,

A handwritten signature in cursive script that reads "Terry L. Richey".

Terry L. Richey, Clerk Treasurer  
Town of Crothersville

I AGREE WITH THE CORRECTIVE ACTION PLANS BEING PUT INTO PLACE TO COMPLY WITH THE  
STATE BOARD OF ACCOUNTS REQUIREMENTS.

A handwritten signature in cursive script that appears to read "Ardell Mitchell".

Ardell Mitchell, Town Council President  
Town of Crothersville

#### OTHER REPORT

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