

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF CULVER  
MARSHALL COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
11/20/2015



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Heim	01-01-12 to 12-31-15
President of the Town Council	Sally Ricciardi Virginia B. Munroe	01-01-12 to 12-31-13 01-01-14 to 12-31-15



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CULVER, MARSHALL COUNTY, INDIANA

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

We have audited the accompanying financial statement of the Town of Culver (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 as listed in the Table of Contents.

### ***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 Payables and Receivables, 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)

Based upon information obtained during the audit of the financial statement, we believe that the Schedule of Capital Assets is materially misstated as presented in this report. As described in the preceding paragraph, the Schedule of Capital Assets presented in this report is for additional analysis and is not a required part of the financial statement nor has it been subjected to any auditing procedures and, accordingly, we express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 2, 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

September 2, 2015



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 CULVER, MARSHALL 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 Culver (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 September 2, 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 item 2013-001 to be material weaknesses.

**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



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)


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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Town of Culver'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

September 2, 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 CULVER  
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 Fund	\$ 861,491	\$ 1,143,535	\$ 1,070,168	\$ 934,858	\$ 1,129,652	\$ 1,135,936	\$ 928,574
MVH Fund	272,046	349,089	214,494	406,641	401,521	414,912	393,250
LR&S Fund	3,834	8,337	-	12,171	8,316	-	20,487
LECE Fund	12,700	7,492	3,123	17,069	1,122	200	17,991
Riverboat Tax Sharing Fund	62,337	8,199	5,000	65,536	8,323	7,000	66,859
Rainy Day Fund	205,814	921	-	206,735	885	46,825	160,795
Levy Excess Fund	2,940	2,645	-	5,585	-	-	5,585
CCD Fund	80,067	23,697	35,376	68,388	23,434	29,015	62,807
CCI Fund	31,350	2,082	-	33,432	3,786	-	37,218
Gift Fund	-	9,905	7,911	1,994	15,690	750	16,934
Grant Fund	-	44,512	44,512	-	163,704	161,322	2,382
Redevelopment Fund	1,136,965	478,681	213,587	1,402,059	422,139	596,172	1,228,026
Tree Program Fund	(11,828)	500	-	(11,328)	11,328	-	-
Non-Reverting Fire Fund	20,892	184	-	21,076	159	-	21,235
Non-Reverting Park Fund	638	1,746	1,637	747	2,530	2,190	1,087
Non-Reverting Police Fund	2,507	100	799	1,808	10,040	1,385	10,463
Safety Seat Fund	13	-	-	13	-	-	13
Non-Reverting EMS Fund	8,700	-	527	8,173	-	3,347	4,826
Sewer Sinking Fund	122,011	295,260	294,019	123,252	322,417	302,396	143,273
Sewer Reserve Fund	316,956	1,474	-	318,430	1,188	-	319,618
Park Fund	124,362	301,781	212,560	213,583	262,754	255,796	220,541
Payroll Fund	4,288	272,952	273,134	4,106	324,606	326,075	2,637
Storm Water Fund	42,686	23,472	14,506	51,652	23,791	40,752	34,691
Trash Collection Fund	10,104	142,340	117,809	34,635	144,246	128,550	50,331
Sewer Fund	348,369	1,208,693	1,468,193	88,869	682,952	696,072	75,749
Water Fund	81,351	283,976	290,331	74,996	264,071	241,293	97,774
Meter Deposit Fund	7,980	460	160	8,280	630	300	8,610
Totals	<u>\$ 3,748,573</u>	<u>\$ 4,612,033</u>	<u>\$ 4,267,846</u>	<u>\$ 4,092,760</u>	<u>\$ 4,229,284</u>	<u>\$ 4,390,288</u>	<u>\$ 3,931,756</u>

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

TOWN OF CULVER  
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 CULVER  
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.

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 CULVER  
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 CULVER  
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.

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

TOWN OF CULVER  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

**Note 7. Subsequent Events**

On May 26, 2015, the Town Council approved bids for water treatment plant improvements of \$1,182,650, and water tower improvements of \$511,557. These will be financed by a \$1,641,000 revenue bond issue, a \$500,000 grant, and local funds.

On July 27, 2015, the Town's Redevelopment Commission approved a \$1,200,000 tax increment financing bond issue to finance storm water improvements.

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

	General Fund	MVH Fund	LR&S Fund	LECE Fund	Riverboat Tax Sharing Fund	Rainy Day Fund	Levy Excess Fund	CCD Fund	CCI Fund	Gift Fund
Cash and investments - beginning	\$ 861,491	\$ 272,046	\$ 3,834	\$ 12,700	\$ 62,337	\$ 205,814	\$ 2,940	\$ 80,067	\$ 31,350	\$ -
Receipts:										
Taxes	577,117	302,202	-	-	-	-	-	22,682	-	-
Licenses and permits	15,885	-	-	919	-	-	-	-	-	-
Intergovernmental	232,122	45,966	8,337	-	8,015	-	2,645	647	1,898	-
Charges for services	270,352	-	-	-	-	-	-	-	-	-
Fines and forfeits	5,895	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	42,164	921	-	6,573	184	921	-	368	184	9,905
Total receipts	<u>1,143,535</u>	<u>349,089</u>	<u>8,337</u>	<u>7,492</u>	<u>8,199</u>	<u>921</u>	<u>2,645</u>	<u>23,697</u>	<u>2,082</u>	<u>9,905</u>
Disbursements:										
Personal services	695,906	106,567	-	-	-	-	-	-	-	-
Supplies	44,919	33,195	-	-	-	-	-	-	-	-
Other services and charges	242,588	59,792	-	-	-	-	-	25,376	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	77,339	14,940	-	3,123	-	-	-	10,000	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	9,416	-	-	-	5,000	-	-	-	-	7,911
Total disbursements	<u>1,070,168</u>	<u>214,494</u>	<u>-</u>	<u>3,123</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>35,376</u>	<u>-</u>	<u>7,911</u>
Excess (deficiency) of receipts over disbursements	<u>73,367</u>	<u>134,595</u>	<u>8,337</u>	<u>4,369</u>	<u>3,199</u>	<u>921</u>	<u>2,645</u>	<u>(11,679)</u>	<u>2,082</u>	<u>1,994</u>
Cash and investments - ending	<u>\$ 934,858</u>	<u>\$ 406,641</u>	<u>\$ 12,171</u>	<u>\$ 17,069</u>	<u>\$ 65,536</u>	<u>\$ 206,735</u>	<u>\$ 5,585</u>	<u>\$ 68,388</u>	<u>\$ 33,432</u>	<u>\$ 1,994</u>

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

	Grant Fund	Redevelopment Fund	Tree Program Fund	Non-Reverting Fire Fund	Non-Reverting Park Fund	Non-Reverting Police Fund	Safety Seat Fund	Non-Reverting EMS Fund	Sewer Sinking Fund
Cash and investments - beginning	\$ -	\$ 1,136,965	\$ (11,828)	\$ 20,892	\$ 638	\$ 2,507	\$ 13	\$ 8,700	\$ 122,011
Receipts:									
Taxes	-	415,627	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	44,512	58,080	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	4,974	500	184	1,746	100	-	-	295,260
Total receipts	44,512	478,681	500	184	1,746	100	-	-	295,260
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	78,638	-	-	-	-	-	-	293,970
Capital outlay	-	-	-	-	-	699	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	44,512	134,949	-	-	1,637	100	-	527	49
Total disbursements	44,512	213,587	-	-	1,637	799	-	527	294,019
Excess (deficiency) of receipts over disbursements	-	265,094	500	184	109	(699)	-	(527)	1,241
Cash and investments - ending	\$ -	\$ 1,402,059	\$ (11,328)	\$ 21,076	\$ 747	\$ 1,808	\$ 13	\$ 8,173	\$ 123,252

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

	Sewer Reserve Fund	Park Fund	Payroll Fund	Storm Water Fund	Trash Collection Fund	Sewer Fund	Water Fund	Meter Deposit Fund	Totals
Cash and investments - beginning	\$ 316,956	\$ 124,362	\$ 4,288	\$ 42,686	\$ 10,104	\$ 348,369	\$ 81,351	\$ 7,980	\$ 3,748,573
Receipts:									
Taxes	-	72,701	-	-	-	-	-	-	1,390,329
Licenses and permits	-	-	-	-	-	-	-	-	16,804
Intergovernmental	-	2,022	-	-	-	-	-	-	404,244
Charges for services	-	209,912	-	-	142,340	-	-	-	622,604
Fines and forfeits	-	-	-	-	-	-	-	-	5,895
Utility fees	-	-	-	23,288	-	666,148	280,983	460	970,879
Other receipts	1,474	17,146	272,952	184	-	542,545	2,993	-	1,201,278
Total receipts	1,474	301,781	272,952	23,472	142,340	1,208,693	283,976	460	4,612,033
Disbursements:									
Personal services	-	88,496	-	-	-	160,192	110,785	-	1,161,946
Supplies	-	23,706	-	-	-	-	-	-	101,820
Other services and charges	-	77,156	-	-	117,809	9,794	8,286	-	540,801
Debt service - principal and interest	-	-	-	-	-	-	-	-	372,608
Capital outlay	-	22,025	-	6,319	-	53,046	46,009	-	233,500
Utility operating expenses	-	-	-	8,187	-	137,530	98,358	-	244,075
Other disbursements	-	1,177	273,134	-	-	1,107,631	26,893	160	1,613,096
Total disbursements	-	212,560	273,134	14,506	117,809	1,468,193	290,331	160	4,267,846
Excess (deficiency) of receipts over disbursements	1,474	89,221	(182)	8,966	24,531	(259,500)	(6,355)	300	344,187
Cash and investments - ending	\$ 318,430	\$ 213,583	\$ 4,106	\$ 51,652	\$ 34,635	\$ 88,869	\$ 74,996	\$ 8,280	\$ 4,092,760

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

	General Fund	MVH Fund	LR&S Fund	LECE Fund	Riverboat Tax Sharing Fund	Rainy Day Fund	Levy Excess Fund	CCD Fund	CCI Fund	Gift Fund
Cash and investments - beginning	\$ 934,858	\$ 406,641	\$ 12,171	\$ 17,069	\$ 65,536	\$ 206,735	\$ 5,585	\$ 68,388	\$ 33,432	\$ 1,994
Receipts:										
Taxes	536,245	349,983	-	-	-	-	-	22,706	-	-
Licenses and permits	24,741	-	-	1,027	-	-	-	-	-	-
Intergovernmental	271,491	46,271	8,316	-	8,015	-	-	460	3,632	-
Charges for services	247,406	-	-	-	-	-	-	-	-	-
Fines and forfeits	7,867	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	41,902	5,267	-	95	308	885	-	268	154	15,690
Total receipts	<u>1,129,652</u>	<u>401,521</u>	<u>8,316</u>	<u>1,122</u>	<u>8,323</u>	<u>885</u>	<u>-</u>	<u>23,434</u>	<u>3,786</u>	<u>15,690</u>
Disbursements:										
Personal services	766,004	112,130	-	-	-	-	-	-	-	-
Supplies	49,040	31,046	-	-	-	-	-	-	-	-
Other services and charges	233,646	170,484	-	-	-	-	-	15,074	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	71,393	101,252	-	-	-	46,825	-	3,941	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	15,853	-	-	200	7,000	-	-	10,000	-	750
Total disbursements	<u>1,135,936</u>	<u>414,912</u>	<u>-</u>	<u>200</u>	<u>7,000</u>	<u>46,825</u>	<u>-</u>	<u>29,015</u>	<u>-</u>	<u>750</u>
Excess (deficiency) of receipts over disbursements	<u>(6,284)</u>	<u>(13,391)</u>	<u>8,316</u>	<u>922</u>	<u>1,323</u>	<u>(45,940)</u>	<u>-</u>	<u>(5,581)</u>	<u>3,786</u>	<u>14,940</u>
Cash and investments - ending	\$ <u>928,574</u>	\$ <u>393,250</u>	\$ <u>20,487</u>	\$ <u>17,991</u>	\$ <u>66,859</u>	\$ <u>160,795</u>	\$ <u>5,585</u>	\$ <u>62,807</u>	\$ <u>37,218</u>	\$ <u>16,934</u>

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

	Grant Fund	Redevelopment Fund	Tree Program Fund	Non-Reverting Fire Fund	Non-Reverting Park Fund	Non-Reverting Police Fund	Safety Seat Fund	Non-Reverting EMS Fund	Sewer Sinking Fund
Cash and investments - beginning	\$ -	\$ 1,402,059	\$ (11,328)	\$ 21,076	\$ 747	\$ 1,808	\$ 13	\$ 8,173	\$ 123,252
Receipts:									
Taxes	163,104	417,046	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	600	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	5,093	11,328	159	2,530	10,040	-	-	322,417
Total receipts	<u>163,704</u>	<u>422,139</u>	<u>11,328</u>	<u>159</u>	<u>2,530</u>	<u>10,040</u>	<u>-</u>	<u>-</u>	<u>322,417</u>
Disbursements:									
Personal services	318	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	74,344	-	-	-	-	-	-	-
Debt service - principal and interest	-	299,101	-	-	-	-	-	-	290,054
Capital outlay	161,004	222,727	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	2,190	1,385	-	3,347	12,342
Total disbursements	<u>161,322</u>	<u>596,172</u>	<u>-</u>	<u>-</u>	<u>2,190</u>	<u>1,385</u>	<u>-</u>	<u>3,347</u>	<u>302,396</u>
Excess (deficiency) of receipts over disbursements	<u>2,382</u>	<u>(174,033)</u>	<u>11,328</u>	<u>159</u>	<u>340</u>	<u>8,655</u>	<u>-</u>	<u>(3,347)</u>	<u>20,021</u>
Cash and investments - ending	<u>\$ 2,382</u>	<u>\$ 1,228,026</u>	<u>\$ -</u>	<u>\$ 21,235</u>	<u>\$ 1,087</u>	<u>\$ 10,463</u>	<u>\$ 13</u>	<u>\$ 4,826</u>	<u>\$ 143,273</u>



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

	Sewer Reserve Fund	Park Fund	Payroll Fund	Storm Water Fund	Trash Collection Fund	Sewer Fund	Water Fund	Meter Deposit Fund	Totals
Cash and investments - beginning	\$ 318,430	\$ 213,583	\$ 4,106	\$ 51,652	\$ 34,635	\$ 88,869	\$ 74,996	\$ 8,280	\$ 4,092,760
Receipts:									
Taxes	-	56,680	-	-	-	-	-	-	1,545,764
Licenses and permits	-	-	-	-	-	-	-	-	25,768
Intergovernmental	-	1,147	-	-	-	-	-	-	339,932
Charges for services	-	190,427	-	-	144,246	-	-	-	582,079
Fines and forfeits	-	-	-	-	-	-	-	-	7,867
Utility fees	-	-	-	23,523	-	681,688	263,226	630	969,067
Other receipts	1,188	14,500	324,606	268	-	1,264	845	-	758,807
Total receipts	1,188	262,754	324,606	23,791	144,246	682,952	264,071	630	4,229,284
Disbursements:									
Personal services	-	97,316	-	-	-	170,118	123,551	-	1,269,437
Supplies	-	24,874	-	-	-	-	-	-	104,960
Other services and charges	-	80,798	-	-	128,550	10,493	8,856	-	722,245
Debt service - principal and interest	-	-	-	-	-	-	-	-	589,155
Capital outlay	-	52,052	-	32,160	-	3,128	2,135	-	696,617
Utility operating expenses	-	-	-	6,622	-	198,021	94,692	-	299,335
Other disbursements	-	756	326,075	1,970	-	314,312	12,059	300	708,539
Total disbursements	-	255,796	326,075	40,752	128,550	696,072	241,293	300	4,390,288
Excess (deficiency) of receipts over disbursements	1,188	6,958	(1,469)	(16,961)	15,696	(13,120)	22,778	330	(161,004)
Cash and investments - ending	\$ 319,618	\$ 220,541	\$ 2,637	\$ 34,691	\$ 50,331	\$ 75,749	\$ 97,774	\$ 8,610	\$ 3,931,756

TOWN OF CULVER  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ 138	\$ 1,960
Trash	10,780	12,167
Wastewater	9,698	50,795
Water	2,010	19,056
Governmental activities	155,788	120,000
Totals	\$ 178,414	\$ 203,978

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Tax Increment Revenue Bonds of 2008	\$ 340,000	\$ 25,075
General obligation bonds	Tax Increment Bonds of 2005	<u>185,000</u>	<u>48,625</u>
Total governmental activities		<u>525,000</u>	<u>73,700</u>
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2005	1,802,000	183,753
Revenue bonds	Sewage Works Refunding Revenue Bonds of 2011	<u>745,000</u>	<u>107,350</u>
Total Wastewater		<u>2,547,000</u>	<u>291,103</u>
Totals		<u>\$ 3,072,000</u>	<u>\$ 364,803</u>

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TOWN OF CULVER  
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:	
Infrastructure	\$ 454,658
Buildings	233,512
Improvements other than buildings	402,015
Machinery, equipment, and vehicles	2,777,915
Total governmental activities	3,868,100
Storm Water:	
Construction in progress	237,589
Wastewater:	
Land	2,742
Buildings	1,028,040
Total Wastewater	1,030,782
Water:	
Land	2,200
Buildings	160,866
Improvements other than buildings	1,572,604
Machinery, equipment, and vehicles	365,677
Total Water	2,101,347
Total capital assets	\$ 7,237,818

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF CULVER, MARSHALL COUNTY, INDIANA

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

We have audited the Town of Culver's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013.



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

**Report on Internal Control Over Compliance**


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002 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

September 2, 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 CULVER  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended December 31, 2012 and 2013

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs				
Wastewater Improvement Project		14.228	DR2-09-149	\$ 540,147	\$ -
Storm Drainage Improvement Project		14.228	DR2-09-234	-	160,404
Total - Department of Housing and Urban Development				<u>540,147</u>	<u>160,404</u>
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster					
Highway Planning and Construction	Indiana Department of Transportation				
Main Street Streetscape		20.205	902235	58,080	-
Safe Route to School			1006376	43,207	-
Total - Highway Planning and Construction Cluster				<u>101,287</u>	<u>-</u>
Highway Safety Cluster					
Occupant Protection Incentive Grants	Indiana Department of Transportation	20.602	1027 1899	600 -	- 219
Safety Belt Performance Grants	Indiana Department of Transportation	20.609	1280	2,300	2,300
Total - Highway Safety Cluster				<u>2,900</u>	<u>2,519</u>
Total - Department of Transportation				<u>104,187</u>	<u>2,519</u>
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security				
		97.036	38512EMAC	-	7,626
Total - Department of Homeland Security				<u>-</u>	<u>7,626</u>
Total federal awards expended				<u>\$ 644,334</u>	<u>\$ 170,549</u>

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

TOWN OF CULVER  
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 CULVER  
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?	no

Federal Awards:

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

Identification of Major Program:

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

CDBG - State-Administered CDBG Cluster

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

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

**Section II - Financial Statement Findings**

**FINDING 2013-001 - FINANCIAL TRANSACTIONS AND REPORTING**

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

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 cash, receipts, disbursements, financial statement and close, and the Schedule of Expenditures of Federal Awards (SEFA).

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

The Clerk-Treasurer is responsible for preparing and submitting the Gateway Annual Financial Report which is used to generate the Financial Statement and the SEFA without oversight or approval. In addition, the Clerk-Treasurer independently processes payroll, prepares the claims, records the disbursements, prepares the docket, and reconciles the bank balances to the record balances. The Deputy Clerk-Treasurer is solely responsible for daily receipts and recording the receipts from the departments, including the Utilities. The Deputy Clerk-Treasurer then prepares the deposit slip and makes the deposit at the bank. There is no segregation of duties such as an oversight, review, or approval process.

2. **Monitoring of Controls:** An evaluation of the Town's system of internal control has not been conducted. The failure to monitor the internal control system places the Town 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 Town has no process to identify or communicate corrective actions to improve controls. Effective internal controls over financial reporting requires the Town 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 Cities and Towns, Chapter 7)

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

***FINDING 2013-002 - CASH MANAGEMENT AND DAVIS-BACON ACT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grant/State's Program and  
Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-149 and DR2-09-234

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

The Town has not established an effective internal control system, which would include segregation of duties, such as an oversight or approval process, related to the grant agreement and the Cash Management and Davis-Bacon Act compliance requirements that have a direct and material effect on the program.

The Cash Management compliance requirement requires the Town to disburse grant funds within five days after receiving the grant draw. There are no controls to ensure that the Town disburses the funds within the five day limit.

The Davis-Bacon Act requires that certified payrolls from the contractors to be submitted weekly. There are no controls to ensure that the contractors submit the required certified payroll information during the construction project period.



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

The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the 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 with the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements that have a direct and material effect on the program.

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AUDITEE PREPARED DOCUMENT

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



CORRECTIVE ACTION PLAN

**FINDING 2013-001 Financial Transactions and Reporting**

Contact Person Responsible for Corrective Action: Karen Heim

Contact Phone Number: 574.842.3140

Description of Corrective Action Plan:

To address lack of segregation of duties the following procedures will be put into place:

**Annual Report**

The report will be reviewed and approved by council and recorded in meeting minutes before submission on Gateway is complete

**Payroll**

A council member or town manager review payroll for accuracy  
The deputy-clerk will approve direct deposit transfers

**Claims**

After department head sign-off and submission, the deputy clerk will prepare the AP Voucher. The clerk-treasurer will review the voucher and enter information into the AP system and print checks. The Clerk-Treasurer will prepare the claims list for council review and approval. The deputy-clerk will complete the AP Voucher by writing the warrant number and initially and then prepare the checks for mailing. Appropriation reports will be provided at each council meeting for council review.

**Bank Reconciliation**

Upon completion of bank reconciliation, the fund balances and bank records will be made available to a council member for review and signature. A copy of the financial statement will be provided to council members for review and approval at a regular council meeting.


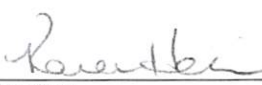
**Daily Collections**

The deputy-clerk will receive and receipt in monies. At the end of the day, she will have deposits reviewed by either the town manager or clerk-treasurer to make sure the cash and checks are recorded correctly and the deposits are accurate. The town manager or clerk-treasurer will initial the deposit ticket indicating their review. Also, when collecting ACH payments, the deputy-clerk will enter the payments and the clerk-treasurer will approve them.

Anticipated Completion Date:

Immediately

- Culver Town Council
- Ginny Munroe*  
President
- Sally Ricciardi*  
Vice-President
- David Beggs*
- Ed Pinder*
- Jean Rakich*
- Town Manager
- Jonathan Leist*
- Clerk-Treasurer
- Karen Heim*

	
Signature	Signature
<i>TOWN COUNCIL PRESIDENT</i>	<i>Clerk Treasurer</i>
Title	Title
<i>10/7/2015</i>	<i>10.7.2015</i>
Date	Date



200 E. Washington St  
Culver, IN 46511

574.842.3140 (p)  
574.842.3633 (f)  
clerk@townofculver.org

CORRECTIVE ACTION PLAN

**FINDING 2013-002 Cash Management and Davis-Bacon Act**

Contact Person Responsible for Corrective Action: Karen Heim  
Contact Phone Number: 574.842.3140

Description of Corrective Action Plan:

To address lack of cash management compliance, the following procedures will be implemented:

**Cash Management Compliance**

With the current federal grant, the engineer provides a report to council once a month, presenting invoices and an update on the progress of the project. The invoices are submitted to the clerk-treasurer and grant administrator. The grant administrator submits a request for funds and alerts the clerk-treasurer of the approximate date of when the funds will be deposited into the town's bank account. When the funds are received, the clerk treasurer processes the claim and sends a copy of the receipt of funds and a copy of the checks written are e-mailed to the grant administrator. The clerk-treasurer will ask that the town manager be added to the e-mail notification of the approximate date of the deposit of funds and he will be copied on the e-mail sent to the grant administrator with the copy of the check and receipt of funds. Copies of the e-mail notifications will be printed and filed in the grant files. If a check is not disbursed within five days, the town manager will alert the clerk-treasurer, grant administrator and council president to the issue and to get it corrected as soon as possible.

**Davis-Bacon Act**

The payrolls are reviewed by the grant administrator. The clerk-treasurer will request that copies of the certified payrolls be provided to her office as well for review by the clerk-treasurer or town manager. Initialed copies will be placed in the grant files kept in the clerk-treasurer's office.

Anticipated Completion Date:

Immediately

Virginia B. Munro  
Signature

Karen Heim  
Signature

Town Council President  
Title

Clerk Treasurer  
Title

9/28/15  
Date

9.28.2015  
Date

**Culver Town Council**  
Ginny Munroe  
President  
Sally Ricciardi  
Vice-President  
David Beggs  
Ed Pinder  
Jean Rakich  
**Town Manager**  
Jonathan Leist  
**Clerk-Treasurer**  
Karen Heim

#### OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.