

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF FLORA  
CARROLL COUNTY, INDIANA

January 1, 2013 to December 31, 2014



**FILED**  
01/22/2016



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joretta L. Tinsman	01-01-12 to 12-31-15
President of the Town Council	Joshua S. Ayres	01-01-13 to 12-31-15



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FLORA, CARROLL COUNTY, INDIANA

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

We have audited the accompanying financial statement of the Town of Flora (Town), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, 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, 2013 to December 31, 2014.

***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, 2013 to December 31, 2014, 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, and Schedule of Leases and Debt, 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 October 15, 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

October 15, 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 FLORA, CARROLL 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 Flora (Town), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 15, 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 2014-001 and 2014-002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Town of Flora'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

October 15, 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 FLORA  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2013 and 2014

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13	Receipts	Disbursements	Cash and Investments 12-31-14
GENERAL FUND	\$ 1,912,945	\$ 1,213,263	\$ 1,318,779	\$ 1,807,429	\$ 1,162,834	\$ 1,156,882	\$ 1,813,381
MOTOR VEHICLE HIGHWAY FUND	68,511	114,850	140,004	43,357	129,407	148,848	23,916
LOCAL ROADS AND STREETS FUND	(144)	7,676	-	7,532	7,706	-	15,238
LAW ENFORCEMENT CONTINUING EDUCATION	11,455	7,946	1,799	17,602	11,043	7,672	20,973
RIVER BOAT WAGERING TAX REV SHARING DIST	12,978	12,061	12,500	12,539	12,061	-	24,600
RAINY DAY FUND	395,964	50,608	108,921	337,651	316	128,602	209,365
ECONOMIC DEVELOPMENT INCOME	161,557	59,227	23,405	197,379	62,015	137,822	121,572
CUM CAPITAL IMPROVMENT CIG-TAX	72,717	5,466	10,000	68,183	5,386	6,878	66,691
CUM CAPITAL DEVELOPMENT FUND	320,168	12,556	-	332,724	11,244	-	343,968
CUM SEWER FUND	157,844	32,719	60,441	130,122	31,560	141,513	20,169
POLICE GRANT	-	-	-	-	844	844	-
FLORA SCHOOL GRANT DR217476	-	-	-	-	347,850	347,850	-
INSURANCE SETTLEMENT 9-2012	184,485	16,043	200,528	-	-	-	-
CAROLL COUNTY COMMUNITIES RECYCLE	79,576	77,957	65,989	91,544	476	47,591	44,429
FIRE DEPARTMENT GRANT	32	-	-	32	-	-	32
PAYROLL	14,814	947,427	947,418	14,823	968,643	974,799	8,667
ELECTRIC OPERATING	96,541	2,051,414	2,108,759	39,196	2,182,971	2,214,904	7,263
ELECTRIC DEPRECIATION	10,211	27	-	10,238	5	-	10,243
ELECTRIC CUSTOMER DEPOSIT	80,316	14,175	12,499	81,992	13,350	10,950	84,392
ELECTRIC CASH RESERVE	1,250	15,000	15,000	1,250	15,000	15,000	1,250
WASTEWATER OPERATING	131,440	673,272	714,592	90,120	680,370	709,238	61,252
WASTEWATER DEPRECIATION	19,820	25,970	11,500	34,290	7,317	-	41,607
WASTEWATER CUSTOMER DEPOSIT	28,779	3,090	2,930	28,939	3,330	2,640	29,629
WASTEWATER BOND & INTEREST	374,339	263,090	176,515	460,914	245,210	224,687	481,437
WASTEWATER GRANT	-	-	-	-	427,374	427,374	-
WATER OPERATING	13,763	408,018	400,568	21,213	414,644	440,047	(4,190)
WATER BOND & INTEREST	101,987	84,516	82,458	104,045	84,054	82,529	105,570
WATER DEPRECIATION	13,876	1,935	-	15,811	2,707	-	18,518
WATER CUSTOMER DEPOSIT	19,588	2,220	2,010	19,798	2,320	1,740	20,378
<b>Totals</b>	<b>\$ 4,284,812</b>	<b>\$ 6,100,526</b>	<b>\$ 6,416,615</b>	<b>\$ 3,968,723</b>	<b>\$ 6,830,037</b>	<b>\$ 7,228,410</b>	<b>\$ 3,570,350</b>

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

TOWN OF FLORA  
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, 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 FLORA  
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.

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

TOWN OF FLORA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Other disbursements which include, but are not limited to the following: Utility operating expenses, debt service principal and interest, 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 FLORA  
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 FLORA  
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. Cash Balance Deficits**

The financial statement contains the Water Operating fund with a deficit in cash. This is a result of expenditures in excess of revenues and available cash balances.

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

	GENERAL FUND	MOTOR VEHICLE HIGHWAY FUND	LOCAL ROADS AND STREETS FUND	LAW ENFORCEMENT CONTINUING EDUCATION	RIVER BOAT WAGERING TAX REV SHARING DIST	RAINY DAY FUND	ECONOMIC DEVELOPMENT INCOME	CUM CAPITAL IMPROVMENT CIG-TAX	CUM CAPITAL DEVELOPMENT FUND	CUM SEWER FUND
Cash and investments - beginning	\$ 1,912,945	\$ 68,511	\$ (144)	\$ 11,455	\$ 12,978	\$ 395,964	\$ 161,557	\$ 72,717	\$ 320,168	\$ 157,844
Receipts:										
Taxes	832,276	-	-	-	-	-	-	-	11,879	31,820
Licenses and permits	1,179	-	-	1,150	-	-	-	-	-	-
Intergovernmental	242,425	91,662	7,676	-	12,061	-	59,227	5,466	253	687
Charges for services	29,979	450	-	53	-	-	-	-	-	-
Fines and forfeits	-	-	-	95	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	107,404	22,738	-	6,648	-	50,608	-	-	424	212
Total receipts	1,213,263	114,850	7,676	7,946	12,061	50,608	59,227	5,466	12,556	32,719
Disbursements:										
Personal services	430,456	54,742	-	1,377	-	-	-	-	-	-
Supplies	47,788	30,021	-	422	-	-	-	-	-	-
Other services and charges	443,732	53,615	-	-	12,500	92,878	23,405	10,000	-	60,441
Capital outlay	297,986	-	-	-	-	-	-	-	-	-
Other disbursements	98,817	1,626	-	-	-	16,043	-	-	-	-
Total disbursements	1,318,779	140,004	-	1,799	12,500	108,921	23,405	10,000	-	60,441
Excess (deficiency) of receipts over disbursements	(105,516)	(25,154)	7,676	6,147	(439)	(58,313)	35,822	(4,534)	12,556	(27,722)
Cash and investments - ending	\$ 1,807,429	\$ 43,357	\$ 7,532	\$ 17,602	\$ 12,539	\$ 337,651	\$ 197,379	\$ 68,183	\$ 332,724	\$ 130,122

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

	POLICE GRANT	FLORA SCHOOL GRANT DR217476	INSURANCE SETTLEMENT 9-2012	CAROLL COUNTY COMMUNITIES RECYCLE	FIRE DEPARTMENT GRANT	PAYROLL	ELECTRIC OPERATING	ELECTRIC DEPRECIATION	ELECTRIC CUSTOMER DEPOSIT	ELECTRIC CASH RESERVE
Cash and investments - beginning	\$ -	\$ -	\$ 184,485	\$ 79,576	\$ 32	\$ 14,814	\$ 96,541	\$ 10,211	\$ 80,316	\$ 1,250
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	2,036,047	-	14,175	-
Penalties	-	-	-	-	-	-	11,735	-	-	-
Other receipts	-	-	16,043	77,957	-	947,427	3,632	27	-	15,000
Total receipts	-	-	16,043	77,957	-	947,427	2,051,414	27	14,175	15,000
Disbursements:										
Personal services	-	-	-	32,383	-	-	-	-	-	-
Supplies	-	-	-	13,454	-	-	-	-	-	-
Other services and charges	-	-	-	17,987	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	200,528	2,165	-	947,418	2,108,759	-	12,499	15,000
Total disbursements	-	-	200,528	65,989	-	947,418	2,108,759	-	12,499	15,000
Excess (deficiency) of receipts over disbursements	-	-	(184,485)	11,968	-	9	(57,345)	27	1,676	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 91,544	\$ 32	\$ 14,823	\$ 39,196	\$ 10,238	\$ 81,992	\$ 1,250

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

	WASTEWATER OPERATING	WASTEWATER DEPRECIATION	WASTEWATER CUSTOMER DEPOSIT	WASTEWATER BOND & INTEREST	WASTEWATER GRANT	WATER OPERATING	WATER BOND & INTEREST	WATER DEPRECIATION	WATER CUSTOMER DEPOSIT	Totals
Cash and investments - beginning	\$ 131,440	\$ 19,820	\$ 28,779	\$ 374,339	\$ -	\$ 13,763	\$ 101,987	\$ 13,876	\$ 19,588	\$ 4,284,812
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	875,975
Licenses and permits	-	-	-	-	-	-	-	-	-	2,329
Intergovernmental	-	-	-	-	-	-	-	-	-	419,457
Charges for services	-	-	-	-	-	-	-	-	-	30,482
Fines and forfeits	-	-	-	-	-	-	-	-	-	95
Utility fees	658,024	-	3,090	-	-	395,440	-	-	2,220	3,108,996
Penalties	12,992	-	-	-	-	7,165	-	-	-	31,892
Other receipts	2,256	25,970	-	263,090	-	5,413	84,516	1,935	-	1,631,300
Total receipts	673,272	25,970	3,090	263,090	-	408,018	84,516	1,935	2,220	6,100,526
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	518,958
Supplies	-	-	-	-	-	-	-	-	-	91,685
Other services and charges	-	-	-	-	-	-	-	-	-	714,558
Capital outlay	-	-	-	-	-	-	-	-	-	297,986
Other disbursements	714,592	11,500	2,930	176,515	-	400,568	82,458	-	2,010	4,793,428
Total disbursements	714,592	11,500	2,930	176,515	-	400,568	82,458	-	2,010	6,416,615
Excess (deficiency) of receipts over disbursements	(41,320)	14,470	160	86,575	-	7,450	2,058	1,935	210	(316,089)
Cash and investments - ending	\$ 90,120	\$ 34,290	\$ 28,939	\$ 460,914	\$ -	\$ 21,213	\$ 104,045	\$ 15,811	\$ 19,798	\$ 3,968,723

TOWN OF FLORA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014

	GENERAL FUND	MOTOR VEHICLE HIGHWAY FUND	LOCAL ROADS AND STREETS FUND	LAW ENFORCEMENT CONTINUING EDUCATION	RIVER BOAT WAGERING TAX REV SHARING DIST	RAINY DAY FUND	ECONOMIC DEVELOPMENT INCOME	CUM CAPITAL IMPROVMENT CIG-TAX	CUM CAPITAL DEVELOPMENT FUND	CUM SEWER FUND
Cash and investments - beginning	\$ 1,807,429	\$ 43,357	\$ 7,532	\$ 17,602	\$ 12,539	\$ 337,651	\$ 197,379	\$ 68,183	\$ 332,724	\$ 130,122
Receipts:										
Taxes	808,437	-	-	-	-	-	-	-	10,786	30,775
Licenses and permits	958	-	-	580	-	-	-	-	-	-
Intergovernmental	260,733	104,870	7,706	-	12,061	-	62,015	5,386	237	675
Charges for services	50,709	450	-	25	-	-	-	-	-	-
Fines and forfeits	33,819	-	-	45	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	8,178	24,087	-	10,393	-	316	-	-	221	110
Total receipts	1,162,834	129,407	7,706	11,043	12,061	316	62,015	5,386	11,244	31,560
Disbursements:										
Personal services	493,071	33,048	-	-	-	-	-	-	-	-
Supplies	58,556	23,662	-	150	-	-	-	-	-	-
Other services and charges	399,499	68,757	-	989	-	128,602	137,822	6,878	-	141,513
Capital outlay	157,080	21,495	-	5,000	-	-	-	-	-	-
Other disbursements	48,676	1,886	-	1,533	-	-	-	-	-	-
Total disbursements	1,156,882	148,848	-	7,672	-	128,602	137,822	6,878	-	141,513
Excess (deficiency) of receipts over disbursements	5,952	(19,441)	7,706	3,371	12,061	(128,286)	(75,807)	(1,492)	11,244	(109,953)
Cash and investments - ending	\$ 1,813,381	\$ 23,916	\$ 15,238	\$ 20,973	\$ 24,600	\$ 209,365	\$ 121,572	\$ 66,691	\$ 343,968	\$ 20,169

TOWN OF FLORA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	POLICE GRANT	FLORA SCHOOL GRANT DR217476	INSURANCE SETTLEMENT 9-2012	CAROLL COUNTY COMMUNITIES RECYCLE	FIRE DEPARTMENT GRANT	PAYROLL	ELECTRIC OPERATING	ELECTRIC DEPRECIATION	ELECTRIC CUSTOMER DEPOSIT	ELECTRIC CASH RESERVE
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ 91,544	\$ 32	\$ 14,823	\$ 39,196	\$ 10,238	\$ 81,992	\$ 1,250
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	347,850	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	2,166,035	-	13,350	-
Penalties	-	-	-	-	-	-	11,165	-	-	-
Other receipts	844	-	-	476	-	968,643	5,771	5	-	15,000
Total receipts	844	347,850	-	476	-	968,643	2,182,971	5	13,350	15,000
Disbursements:										
Personal services	-	-	-	20,059	-	-	-	-	-	-
Supplies	-	-	-	10,727	-	-	-	-	-	-
Other services and charges	-	347,850	-	15,303	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Other disbursements	844	-	-	1,502	-	974,799	2,214,904	-	10,950	15,000
Total disbursements	844	347,850	-	47,591	-	974,799	2,214,904	-	10,950	15,000
Excess (deficiency) of receipts over disbursements	-	-	-	(47,115)	-	(6,156)	(31,933)	5	2,400	-
Cash and investments - ending	\$ -	\$ -	\$ -	\$ 44,429	\$ 32	\$ 8,667	\$ 7,263	\$ 10,243	\$ 84,392	\$ 1,250



TOWN OF FLORA  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2014  
 (Continued)

	WASTEWATER OPERATING	WASTEWATER DEPRECIATION	WASTEWATER CUSTOMER DEPOSIT	WASTEWATER BOND & INTEREST	WASTEWATER GRANT	WATER OPERATING	WATER BOND & INTEREST	WATER DEPRECIATION	WATER CUSTOMER DEPOSIT	Totals
Cash and investments - beginning	\$ 90,120	\$ 34,290	\$ 28,939	\$ 460,914	\$ -	\$ 21,213	\$ 104,045	\$ 15,811	\$ 19,798	\$ 3,968,723
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	849,998
Licenses and permits	-	-	-	-	-	-	-	-	-	1,538
Intergovernmental	-	-	-	-	-	-	-	-	-	801,533
Charges for services	-	-	-	-	-	-	-	-	-	51,184
Fines and forfeits	-	-	-	-	-	-	-	-	-	33,864
Utility fees	662,753	-	3,330	-	-	401,489	-	-	2,320	3,249,277
Penalties	12,295	-	-	-	-	6,871	-	-	-	30,331
Other receipts	5,322	7,317	-	245,210	427,374	6,284	84,054	2,707	-	1,812,312
Total receipts	<u>680,370</u>	<u>7,317</u>	<u>3,330</u>	<u>245,210</u>	<u>427,374</u>	<u>414,644</u>	<u>84,054</u>	<u>2,707</u>	<u>2,320</u>	<u>6,830,037</u>
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	546,178
Supplies	-	-	-	-	-	-	-	-	-	93,095
Other services and charges	-	-	-	-	-	-	-	-	-	1,247,213
Capital outlay	-	-	-	-	-	-	-	-	-	183,575
Other disbursements	709,238	-	2,640	224,687	427,374	440,047	82,529	-	1,740	5,158,349
Total disbursements	<u>709,238</u>	<u>-</u>	<u>2,640</u>	<u>224,687</u>	<u>427,374</u>	<u>440,047</u>	<u>82,529</u>	<u>-</u>	<u>1,740</u>	<u>7,228,410</u>
Excess (deficiency) of receipts over disbursements	(28,868)	7,317	690	20,523	-	(25,403)	1,525	2,707	580	(398,373)
Cash and investments - ending	\$ 61,252	\$ 41,607	\$ 29,629	\$ 481,437	\$ -	\$ (4,190)	\$ 105,570	\$ 18,518	\$ 20,378	\$ 3,570,350

TOWN OF FLORA  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ 149,927	\$ 231,270
Wastewater	13,054	74,422
Water	7,477	37,593
Governmental activities	32,476	7,976
Totals	\$ 202,934	\$ 351,261

TOWN OF FLORA  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Sewage Works Revenue Bonds of 1999	<u>\$ 1,219,000</u>	<u>\$ 224,351</u>
Water: Revenue bonds	Waterworks Revenue Bond of 2000	<u>450,000</u>	<u>82,543</u>
Totals		<u><u>\$ 1,669,000</u></u>	<u><u>\$ 306,894</u></u>

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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 FLORA, CARROLL COUNTY, INDIANA

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

We have audited the Town of Flora'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, 2013 to December 31, 2014. 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, 2013 to December 31, 2014.

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 2014-003 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

October 15, 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 FLORA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended December 31, 2013 and 2014

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 12-31-13	Total Federal Awards Expended 12-31-14
<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					
Flora Wastewater	Indiana Lieutenant Governor's Office	14.228	B*13*DC180001CF-12-114	\$ -	\$ 427,374
Flora School Clearance		14.228	B*13*DC180001DR2-09-248	-	347,850
Total - Department of Housing and Urban Development				-	775,224
<u>Department of Justice</u>					
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738			
Operation Pull-Over Enforcement			18X9204020IN13	4,795	-
<u>Department of Transportation</u>					
Highway Safety Cluster					
State and Community Highway Safety	Indiana Criminal Justice Institute	20.600	2009-DJ-BX-0049	1,353	-
Total federal awards expended				<u>\$ 6,148</u>	<u>\$ 775,224</u>

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

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

The Clerk-Treasurer prepares, records, and approves all disbursements for the Clerk-Treasurer's Office. The Town Council approves an Accounts Payable Voucher listing of claims ready for payment, but does not properly monitor actual disbursements by the Clerk-Treasurer's Office. In addition, the Clerk-Treasurer independently prepares and submits the Gateway Annual Financial Report which is used to generate the financial statement. There is no segregation of duties such as an oversight, review, or approval process over these activities.

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 require the Town to monitor and assess the quality of the system of internal control.

The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Control activities should be in place to reduce the risks of errors in financial reporting.

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

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

***FINDING 2014-002 - SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

We noted a deficiency in the internal control system of the Town related to 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. The Town's SEFA is prepared and submitted by the Clerk-Treasurer without proper review or approval before submission. Without a proper system of internal control in place that operates effectively, misstatements of the SEFA could remain undetected.

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

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

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

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

**FINDING 2014-003 - CASH MANAGEMENT, MATCHING, AND PERIOD OF AVAILABILITY**

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: B\*13\*DC180001CF-12-114 and B\*13\*DC180001DR2-09-248  
Pass-Through Entity: Indiana Lieutenant Governor's Office

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Cash Management, Matching, and Period of Availability compliance requirements.

The Town hired a Grant Administrator to ensure that the Town was in compliance with requirements of the program. The Town did not have controls in place to properly monitor the Grant Administrator's activities in relation to the Matching and Period of Availability requirements. In addition, the Clerk-Treasurer was responsible for compliance with Cash Management requirements; however, there was no oversight, review, or approval process.

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.

TOWN COUNCIL

Joshua S. Ayres

Vincent Seward

Darrell Yoder

www.townofflora.org



CLERK/TREASURER

Joretta L. Tinsman

clerk@townofflora.org

4 E. Main Street  
Flora, IN 46929

Ph. 574-967-4844  
Fax 574-967-4971

**CORRECTIVE ACTION PLAN**

***FINDING 2014-001 ~ Financial Transaction and Reporting***

Contact Person Responsible for Corrective Action: Joretta L. Tinsman  
Contact Phone Number: 574-967-4844

Description of Corrective Action Plan:

1. When the Clerk-Treasurer completes the Annual Report on the Gateway system it will be printed and all figures will be checked by the Deputy Clerk-Treasurer to make sure accurate information was entered before the report is submitted on Gateway. Deputy will sign off on the printed report and it will be retained in the Annual Report documentation file.
2. When the Clerk-Treasurer has an Invoice that is not approved by a Department Head or Supervisor of a Department, the Voucher will be reviewed and signed by a Council Member or the Deputy Clerk-Treasurer.

Anticipated Completion Date:

1. By the next Annual Report due date.
2. Will begin this procedure immediately.

  
 Joretta L. Tinsman

Clerk-Treasurer  
(Title)

10/15/2015

TOWN COUNCIL

Joshua S. Ayres

Vincent Seward

Darrell Yoder

www.townofflora.org



CLERK/TREASURER

Joretta L. Tinsman

clerk@townofflora.org

4 E. Main Street

Flora, IN 46929

Ph. 574-967-4844

Fax 574-967-4971

CORRECTIVE ACTION PLAN

**FINDING 2014-002 ~ Schedule of Expenditures of Federal Awards**

Contact Person Responsible for Corrective Action: Joretta L. Tinsman  
 Contact Phone Number: 574-967-4844

Description of Corrective Action Plan:

After the Clerk-Treasurer enters the Schedule of Expenditures of Federal Awards (SEFA) information on Gateway, it will be printed off and the Deputy Clerk-Treasurer will review the document to determine that all information entered is accurate. Deputy Clerk-Treasurer will sign the printed document and then the SEFA will be submitted. The signed document will be retained in the Grant Award file.

Anticipated Completion Date:

1. When another Federal Grant is awarded and posted on Gateway.

*Joretta L. Tinsman*  
 Joretta L. Tinsman

\_\_\_\_\_  
 Clerk-Treasurer  
 (Title)

\_\_\_\_\_  
 10/15/2015

**TOWN COUNCIL**

Joshua S. Ayres

Vincent Seward

Darrell Yoder

www.townofflora.org



**CLERK/TREASURER**

**Joretta L. Tinsman**

clerk@townofflora.org

4 E. Main Street

Flora, IN 46929

Ph. 574-967-4844

Fax 574-967-4971

**CORRECTIVE ACTION PLAN**

***FINDING 2014-003 ~ Cash Management, Matching and Period of Availability***

**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:** B\*13\*DC180001CF-12-114 and B\*13\*DC180001DR2-09-248

**Pass-Through Entity:** Lieutenant Governor's Office

Contact Person Responsible for Corrective Action:

Joretta L. Tinsman

Contact Phone Number:

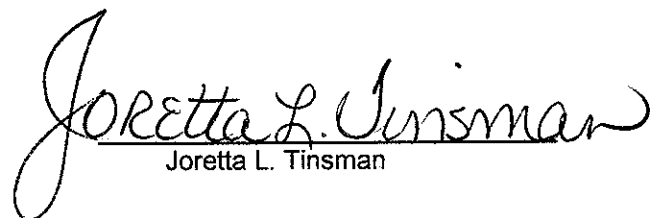
574-967-4844

**Description of Corrective Action Plan:**

This was our first Grant awarded under this Clerk-Treasurer's Tenure. The Town hired a Grant Administrator to handle the management of the Grant. The amounts submitted by the Grant Administrator for payment were in agreement with the amounts submitted by the Contractor performing the work. Clerk-Treasurer created a spreadsheet to monitor the Escrow withheld from each payment. In the future the Clerk-Treasurer will more closely monitor what is submitted by the Grant Administrator and develop documentation to monitor their activities, submittals and the availability periods.

**Anticipated Completion Date:**

1. When another Federal Grant is awarded.



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**CORRECTIVE ACTION PLAN**

***FINDING 2014-001 ~ Financial Transaction and Reporting***

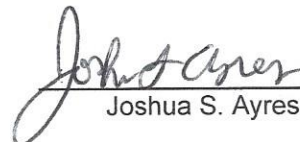
Contact Person Responsible for Corrective Action: Joretta L. Tinsman  
Contact Phone Number: 574-967-4844

**Description of Corrective Action Plan:**

1. When the Clerk-Treasurer completes the Annual Report on the Gateway system it will be printed and all figures will be checked by the Deputy Clerk-Treasurer to make sure accurate information was entered before the report is submitted on Gateway. Deputy will sign off on the printed report and it will be retained in the Annual Report documentation file.
2. When the Clerk-Treasurer has an Invoice that is not approved by a Department Head or Supervisor of a Department, the Voucher will be reviewed and signed by a Council Member or the Deputy Clerk-Treasurer.

**Anticipated Completion Date:**

1. By the next Annual Report due date.
2. Will begin this procedure immediately.

  
Joshua S. Ayres

\_\_\_\_\_  
President Town Council  
(Title)

\_\_\_\_\_  
10/15/2015

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**Anticipated Completion Date:**

1. When another Federal Grant is awarded.

  
 \_\_\_\_\_  
 Joshua A. Ayres

\_\_\_\_\_  
 President Town Council  
 (Title)

\_\_\_\_\_  
 10/15/2015

#### 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/>.