

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SOUTH WHITLEY
WHITLEY COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
06/09/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Robert Gould Janet E. Howard	01-01-12 to 12-31-15 01-01-16 to 12-31-19
President of the Town Council	Tony Starkey Bill Boggs Steve Smith Bill Boggs	01-01-13 to 12-31-13 01-01-14 to 12-31-14 01-01-15 to 12-31-15 01-01-16 to 12-31-16



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Town of South Whitley (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.

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 conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town did not properly maintain accounting records. The Town's accounting records have not been reconciled to depository balances since June 30, 2010. The accounting records contained numerous posting errors, such as transactions not being posted or transactions being posted more than once. In addition, as incorrect transactions were discovered, correcting transactions were recorded as negative receipts and disbursements, or did not have adequate supporting information to substantiate the correction. Auditing procedures applied did not provide sufficient competent evidential matter. The Town's records do not permit the application of other auditing procedures, recommendation of audit adjustments, or determination if the financial statement is fairly stated.

Disclaimer of Opinion

Because of the significance of the matters discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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 auditing procedures and, accordingly, we express no opinion on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated March 30, 2016, 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

March 30, 2016



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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 SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We were engaged to 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, the financial statement of the Town of South Whitley (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 March 30, 2016, 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. Since the Town did not properly maintain the accounting records and we were not able to apply other auditing procedures to satisfy ourselves as to whether the financial statement is fairly stated, the scope of our work was not sufficient to enable us to express an opinion on the financial statement relative to the regulatory basis of accounting.

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

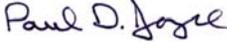
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Town of South Whitley'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 auditing procedures 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

March 30, 2016

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 SOUTH WHITLEY
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	\$ 165,878	\$ 418,437	\$ 445,147	\$ 139,168	\$ 591,055	\$ 552,718	\$ 177,505
Motor Vehicle Highway	1,595	94,977	68,938	27,634	98,716	75,527	50,823
Local Road and Street	2,752	8,075	7,615	3,212	11,902	11,936	3,178
Sanitation	12,117	98,527	97,937	12,707	94,405	106,473	639
Law Enforcement Continuing Education	4,468	3,589	-	8,057	7,457	-	15,514
Park and Recreation	14,212	999	-	15,211	-	-	15,211
Rainy Day	28,909	-	8,662	20,247	-	1,613	18,634
Economic Development Income Tax	178,553	68,155	121,945	124,763	68,154	39,999	152,918
Cumulative Capital Improvement	4,404	13,643	264	17,783	4,632	-	22,415
Cumulative Capital Development	16,212	10,972	10,265	16,919	11,797	7,000	21,716
Police Training and Equipment	-	-	-	-	48,477	29,459	19,018
Riverboat	29,677	10,372	27,531	12,518	10,373	3,518	19,373
Sales Tax	6,968	85,278	92,658	(412)	95,989	95,577	-
FICA Withholding	3,670	3,016	-	6,686	-	-	6,686
Medicare Withholding	812	706	-	1,518	-	-	1,518
State Withholding	13	-	1,750	(1,737)	1,737	-	-
Cagit Withholding	2	-	574	(572)	572	-	-
PERF Withholding	5,651	-	3,404	2,247	15,050	-	17,297
Child Support	258	-	5,031	(4,773)	15,528	10,755	-
Payroll	-	569,681	564,522	5,159	641,394	641,755	4,798
Electric Operating	632,331	1,847,466	1,691,723	788,074	1,901,545	1,903,451	786,168
Electric Depreciation	133,287	-	-	133,287	628	-	133,915
Electric Meter Deposit	48,417	10,139	9,734	48,822	11,500	10,624	49,698
Electric Cash Reserve	32,340	-	-	32,340	-	-	32,340
Sewage Operating	384,831	943,411	675,519	652,723	554,264	736,103	470,884
Sewage Bond and Interest	203,878	49,845	229,343	24,380	212,266	236,646	-
Sewage Debt Service Reserve	62,797	-	-	62,797	113,580	-	176,377
Water Debt Service Reserve	81,000	-	81,000	-	-	-	-
Water Operating	211,329	247,445	308,425	150,349	279,858	305,549	124,658
Water Bond and Interest	65,270	178,520	354,229	(110,439)	110,439	-	-
Water Depreciation	56,995	-	-	56,995	5,716	-	62,711
Water Cash Reserve	5,715	-	-	5,715	-	5,715	-
Totals	\$ 2,394,341	\$ 4,663,253	\$ 4,806,216	\$ 2,251,378	\$ 4,907,034	\$ 4,774,418	\$ 2,383,994

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

TOWN OF SOUTH WHITLEY
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, trash, 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 may 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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF SOUTH WHITLEY
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 these types 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.

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 may 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.

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.

TOWN OF SOUTH WHITLEY
NOTES TO FINANCIAL STATEMENT
(Continued)

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 SOUTH WHITLEY
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 SOUTH WHITLEY
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 some funds with deficits in cash. This is a result of not making required transfers or transfers made in error.

Note 8. Subsequent Events

On July 20, 2015, the Town Council approved a loan of up to \$300,000 from the Electric Utility to the Water Utility for upgrades to the East Water Tower. The actual amount borrowed was \$150,000. The loan is to be repaid within five years.

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Law Enforcement Continuing Education	Park and Recreation	Rainy Day	Economic Development Income Tax	Cumulative Capital Improvement
Cash and investments - beginning	\$ 165,878	\$ 1,595	\$ 2,752	\$ 12,117	\$ 4,468	\$ 14,212	\$ 28,909	\$ 178,553	\$ 4,404
Receipts:									
Taxes	26,514	6,701	-	-	420	-	-	-	-
Licenses and permits	18,793	-	-	-	1,820	-	-	-	-
Intergovernmental	135,234	87,044	8,056	-	-	-	-	68,155	13,643
Charges for services	1,101	360	-	98,527	1,246	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	236,795	872	19	-	103	999	-	-	-
Total receipts	<u>418,437</u>	<u>94,977</u>	<u>8,075</u>	<u>98,527</u>	<u>3,589</u>	<u>999</u>	<u>-</u>	<u>68,155</u>	<u>13,643</u>
Disbursements:									
Personal services	217,527	17,274	369	14,557	-	-	-	8,265	-
Supplies	34,069	8,899	-	175	-	-	-	-	-
Other services and charges	168,019	42,765	7,246	83,205	-	-	3,500	13,680	264
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	1,154	-	-	-	-	-	5,162	100,000	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	24,378	-	-	-	-	-	-	-	-
Total disbursements	<u>445,147</u>	<u>68,938</u>	<u>7,615</u>	<u>97,937</u>	<u>-</u>	<u>-</u>	<u>8,662</u>	<u>121,945</u>	<u>264</u>
Excess (deficiency) of receipts over disbursements	<u>(26,710)</u>	<u>26,039</u>	<u>460</u>	<u>590</u>	<u>3,589</u>	<u>999</u>	<u>(8,662)</u>	<u>(53,790)</u>	<u>13,379</u>
Cash and investments - ending	<u>\$ 139,168</u>	<u>\$ 27,634</u>	<u>\$ 3,212</u>	<u>\$ 12,707</u>	<u>\$ 8,057</u>	<u>\$ 15,211</u>	<u>\$ 20,247</u>	<u>\$ 124,763</u>	<u>\$ 17,783</u>

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

	Cumulative Capital Development	Police Training and Equipment	Riverboat	Sales Tax	FICA Withholding	Medicare Withholding	State Withholding	Cagit Withholding
Cash and investments - beginning	\$ 16,212	\$ -	\$ 29,677	\$ 6,968	\$ 3,670	\$ 812	\$ 13	\$ 2
Receipts:								
Taxes	7,875	-	10,372	-	-	-	-	-
Licenses and permits	1,970	-	-	-	-	-	-	-
Intergovernmental	1,127	-	-	85,278	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	3,016	706	-	-
Total receipts	<u>10,972</u>	<u>-</u>	<u>10,372</u>	<u>85,278</u>	<u>3,016</u>	<u>706</u>	<u>-</u>	<u>-</u>
Disbursements:								
Personal services	-	-	-	-	-	-	1,750	574
Supplies	-	-	-	-	-	-	-	-
Other services and charges	7,765	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	2,500	-	27,531	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	92,658	-	-	-	-
Total disbursements	<u>10,265</u>	<u>-</u>	<u>27,531</u>	<u>92,658</u>	<u>-</u>	<u>-</u>	<u>1,750</u>	<u>574</u>
Excess (deficiency) of receipts over disbursements	<u>707</u>	<u>-</u>	<u>(17,159)</u>	<u>(7,380)</u>	<u>3,016</u>	<u>706</u>	<u>(1,750)</u>	<u>(574)</u>
Cash and investments - ending	<u>\$ 16,919</u>	<u>\$ -</u>	<u>\$ 12,518</u>	<u>\$ (412)</u>	<u>\$ 6,686</u>	<u>\$ 1,518</u>	<u>\$ (1,737)</u>	<u>\$ (572)</u>

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

	PERF Withholding	Child Support	Payroll	Electric Operating	Electric Depreciation	Electric Meter Deposit	Electric Cash Reserve	Sewage Operating
Cash and investments - beginning	\$ 5,651	\$ 258	\$ -	\$ 632,331	\$ 133,287	\$ 48,417	\$ 32,340	\$ 384,831
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	56,844	-	10,139	-	-
Other receipts	-	-	569,681	1,790,622	-	-	-	943,411
Total receipts	-	-	569,681	1,847,466	-	10,139	-	943,411
Disbursements:								
Personal services	-	5,031	364,883	121,174	-	-	-	86,351
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	7,157	-	-	-	14,313
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	51,166	-	-	-	281,838
Utility operating expenses	-	-	-	1,477,392	-	9,734	-	251,912
Other disbursements	3,404	-	199,639	34,834	-	-	-	41,105
Total disbursements	3,404	5,031	564,522	1,691,723	-	9,734	-	675,519
Excess (deficiency) of receipts over disbursements	(3,404)	(5,031)	5,159	155,743	-	405	-	267,892
Cash and investments - ending	\$ 2,247	\$ (4,773)	\$ 5,159	\$ 788,074	\$ 133,287	\$ 48,822	\$ 32,340	\$ 652,723

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

	Sewage Bond and Interest	Sewage Debt Service Reserve	Water Debt Service Reserve	Water Operating	Water Bond and Interest	Water Depreciation	Water Cash Reserve	Totals
Cash and investments - beginning	\$ 203,878	\$ 62,797	\$ 81,000	\$ 211,329	\$ 65,270	\$ 56,995	\$ 5,715	\$ 2,394,341
Receipts:								
Taxes	-	-	-	-	-	-	-	51,882
Licenses and permits	-	-	-	-	-	-	-	22,583
Intergovernmental	-	-	-	-	-	-	-	398,537
Charges for services	-	-	-	-	-	-	-	101,234
Utility fees	-	-	-	50	-	-	-	67,033
Other receipts	49,845	-	-	247,395	178,520	-	-	4,021,984
Total receipts	49,845	-	-	247,445	178,520	-	-	4,663,253
Disbursements:								
Personal services	-	-	-	69,751	-	-	-	907,506
Supplies	-	-	-	-	-	-	-	43,143
Other services and charges	-	-	-	-	-	-	-	347,914
Debt service - principal and interest	229,343	-	-	-	354,229	-	-	583,572
Capital outlay	-	-	-	29,355	-	-	-	498,706
Utility operating expenses	-	-	-	86,706	-	-	-	1,825,744
Other disbursements	-	-	81,000	122,613	-	-	-	599,631
Total disbursements	229,343	-	81,000	308,425	354,229	-	-	4,806,216
Excess (deficiency) of receipts over disbursements	(179,498)	-	(81,000)	(60,980)	(175,709)	-	-	(142,963)
Cash and investments - ending	\$ 24,380	\$ 62,797	\$ -	\$ 150,349	\$ (110,439)	\$ 56,995	\$ 5,715	\$ 2,251,378

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

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Law Enforcement Continuing Education	Park and Recreation	Rainy Day	Economic Development Income Tax	Cumulative Capital Improvement
Cash and investments - beginning	\$ 139,168	\$ 27,634	\$ 3,212	\$ 12,707	\$ 8,057	\$ 15,211	\$ 20,247	\$ 124,763	\$ 17,783
Receipts:									
Taxes	331,350	2,279	-	-	539	-	-	-	-
Licenses and permits	99,321	-	-	-	570	-	-	-	-
Intergovernmental	139,973	82,226	8,169	-	-	-	-	68,154	4,632
Charges for services	1,131	-	-	94,405	5,932	-	-	-	-
Fines and forfeits	5,669	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	13,611	14,211	3,733	-	416	-	-	-	-
Total receipts	591,055	98,716	11,902	94,405	7,457	-	-	68,154	4,632
Disbursements:									
Personal services	246,958	15,471	462	15,057	-	-	-	-	-
Supplies	39,203	10,190	-	566	-	-	1,613	-	-
Other services and charges	222,127	49,866	11,474	90,850	-	-	-	39,999	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	44,430	-	-	-	-	-	-	-	-
Total disbursements	552,718	75,527	11,936	106,473	-	-	1,613	39,999	-
Excess (deficiency) of receipts over disbursements	38,337	23,189	(34)	(12,068)	7,457	-	(1,613)	28,155	4,632
Cash and investments - ending	\$ 177,505	\$ 50,823	\$ 3,178	\$ 639	\$ 15,514	\$ 15,211	\$ 18,634	\$ 152,918	\$ 22,415

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

	Cumulative Capital Development	Police Training and Equipment	Riverboat	Sales Tax	FICA Withholding	Medicare Withholding	State Withholding	Cagit Withholding
Cash and investments - beginning	\$ 16,919	\$ -	\$ 12,518	\$ (412)	\$ 6,686	\$ 1,518	\$ (1,737)	\$ (572)
Receipts:								
Taxes	11,594	-	10,373	-	-	-	-	-
Licenses and permits	199	-	-	-	-	-	-	-
Intergovernmental	4	-	-	95,989	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	48,477	-	-	-	-	1,737	572
Total receipts	11,797	48,477	10,373	95,989	-	-	1,737	572
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	7,000	29,459	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	3,518	95,577	-	-	-	-
Total disbursements	7,000	29,459	3,518	95,577	-	-	-	-
Excess (deficiency) of receipts over disbursements	4,797	19,018	6,855	412	-	-	1,737	572
Cash and investments - ending	\$ 21,716	\$ 19,018	\$ 19,373	\$ -	\$ 6,686	\$ 1,518	\$ -	\$ -

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

	PERF Withholding	Child Support	Payroll	Electric Operating	Electric Depreciation	Electric Meter Deposit	Electric Cash Reserve	Sewage Operating
Cash and investments - beginning	\$ 2,247	\$ (4,773)	\$ 5,159	\$ 788,074	\$ 133,287	\$ 48,822	\$ 32,340	\$ 652,723
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	75,945	-	11,500	-	-
Other receipts	15,050	15,528	641,394	1,825,600	628	-	-	554,264
Total receipts	15,050	15,528	641,394	1,901,545	628	11,500	-	554,264
Disbursements:								
Personal services	-	10,755	388,440	-	-	-	-	96,607
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	10,308
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	111,865	-	-	-	132,856
Utility operating expenses	-	-	-	1,750,619	-	10,624	-	130,516
Other disbursements	-	-	253,315	40,967	-	-	-	365,816
Total disbursements	-	10,755	641,755	1,903,451	-	10,624	-	736,103
Excess (deficiency) of receipts over disbursements	15,050	4,773	(361)	(1,906)	628	876	-	(181,839)
Cash and investments - ending	\$ 17,297	\$ -	\$ 4,798	\$ 786,168	\$ 133,915	\$ 49,698	\$ 32,340	\$ 470,884

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

	Sewage Bond and Interest	Sewage Debt Service Reserve	Water Debt Service Reserve	Water Operating	Water Bond and Interest	Water Depreciation	Water Cash Reserve	Totals
Cash and investments - beginning	\$ 24,380	\$ 62,797	\$ -	\$ 150,349	\$ (110,439)	\$ 56,995	\$ 5,715	\$ 2,251,378
Receipts:								
Taxes	-	-	-	-	-	-	-	356,135
Licenses and permits	-	-	-	-	-	-	-	100,090
Intergovernmental	-	-	-	-	-	-	-	399,147
Charges for services	-	-	-	-	-	-	-	101,468
Fines and forfeits	-	-	-	-	-	-	-	5,669
Utility fees	-	-	-	-	-	-	-	87,445
Other receipts	212,266	113,580	-	279,858	110,439	5,716	-	3,857,080
Total receipts	212,266	113,580	-	279,858	110,439	5,716	-	4,907,034
Disbursements:								
Personal services	-	-	-	72,720	-	-	-	846,470
Supplies	-	-	-	-	-	-	-	51,572
Other services and charges	-	-	-	5,844	-	-	-	466,927
Debt service - principal and interest	236,646	-	-	-	-	-	-	236,646
Capital outlay	-	-	-	42,416	-	-	-	287,137
Utility operating expenses	-	-	-	48,339	-	-	-	1,940,098
Other disbursements	-	-	-	136,230	-	-	5,715	945,568
Total disbursements	236,646	-	-	305,549	-	-	5,715	4,774,418
Excess (deficiency) of receipts over disbursements	(24,380)	113,580	-	(25,691)	110,439	5,716	(5,715)	132,616
Cash and investments - ending	\$ -	\$ 176,377	\$ -	\$ 124,658	\$ -	\$ 62,711	\$ -	\$ 2,383,994

TOWN OF SOUTH WHITLEY
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 34,588	\$ 8,535
Electric	126,848	106,560
Wastewater	10,203	37,809
Water	385	19,067
Totals	\$ 172,024	\$ 171,971

TOWN OF SOUTH WHITLEY
 SCHEDULE OF LEASES AND DEBT
 December 31, 2014

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	2014 Street Sweeper Loan	\$ 72,012	\$ 14,833
Wastewater:			
State Revolving Fund Loan	2011 Plant Improvements	3,155,000	154,620
Revenue bonds	2011 Refunding	<u>345,000</u>	<u>80,180</u>
Total Wastewater		<u>3,500,000</u>	<u>234,800</u>
Totals		<u>\$ 3,572,012</u>	<u>\$ 249,633</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of South Whitley'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)

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2014-004. Our opinion on the major federal program is not modified with respect to these matters.

The Town's response to the noncompliance 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.

Report on Internal Control Over Compliance

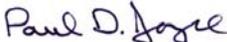
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of 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 items 2014-003 and 2014-004 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

March 30, 2016

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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 SOUTH WHITLEY
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 Agriculture</u>					
Urban and Community Forestry Program	Indiana Department of Natural Resources	10.675	E9-13-UTC12	\$ 4,099	\$ -
Total Department of Agriculture				<u>4,099</u>	<u>-</u>
<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	14.228	CF-11-118	181,394	-
Total - CDBG - State-Administered CDBG Cluster				<u>181,394</u>	<u>-</u>
Total Department of Housing and Urban Development				<u>181,394</u>	<u>-</u>
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Funds Cluster					
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW 11169201	427,723	-
Total - Clean Water State Revolving Funds Cluster				<u>427,723</u>	<u>-</u>
Total Environment Protection Agency				<u>427,723</u>	<u>-</u>
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036		-	9,922
Total Department of Homeland Security				<u>-</u>	<u>9,922</u>
Total federal awards expended				<u>\$ 613,216</u>	<u>\$ 9,922</u>

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

TOWN OF SOUTH WHITLEY
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 SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent, or detect and correct, material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.
4. **Bank Reconciliations:** The Town's Fiscal Officer did not regularly reconcile the Town's fund balances to the bank balances as shown on the monthly bank statements, as required by Indiana Code guidelines. Failure to perform these reconciliations could enable errors and irregularities to occur and not be detected.
5. **Condition of Records:** The Town's Fiscal Officer did not properly maintain the records required by Indiana statutes and compliance guidelines. Revenue and appropriation detail reports did not agree with fund report totals for the respective year ends. There were numerous transactions that were not posted, others that were posted incorrectly, or posted more than once. When incorrect transactions, missing transactions, or duplicate postings were identified, the Fiscal Officer used negative transactions or amounts without adequate supporting itemization to correct, or attempt to correct, the original transactions.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

TOWN OF SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

We noted the following errors:

1. Two federal awards were omitted from the SEFA at December 31, 2013.
2. One federal award was omitted from the SEFA at December 31, 2014.
3. The federal award amount that was included at December 31, 2013, was incorrect.

Adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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

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

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

TOWN OF SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

OMB Circular A-133, Subpart C, section .310(b) states:

"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - CASH MANAGEMENT AND REPORTING

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW 11169201
Pass-Through Entity: Indiana Finance Authority

Management of 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 following compliance requirements that have a direct and material effect to the program: Cash Management and Reporting.

TOWN OF SOUTH WHITLEY
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 applicable 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.

Cash Management

The Town did not have oversight procedures in place to monitor and approve drawdown requests for the audit period.

Reporting

The Town did not have oversight procedures in place to monitor and approve the MBE/WBE required reporting for the audit period.

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 type of 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 over compliance requirements. 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 and implement controls, including segregation of duties, related to the grant agreement and all compliance requirements noted above that have a direct and material effect to the program.

FINDING 2014-004 - DAVIS-BACON ACT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year (or Other Identifying Number): WW 11169201
Pass-Through Entity: Indiana Finance Authority

TOWN OF SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and Davis-Bacon Act compliance requirement. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the applicable 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.

The Town did not obtain all certified payrolls from the contractor and subcontractors during the audit period. Therefore, it could not be established that the Town was monitoring and ensuring that prevailing wage rates were paid.

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor):

(3) *Payrolls and basic records.*

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project . . .

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency) . . .

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . ."

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 type of 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 over compliance requirements. 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.

TOWN OF SOUTH WHITLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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."

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 and implement controls, including segregation of duties, to ensure compliance with the grant agreement and Davis-Bacon Act compliance requirements.

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AUDITEE PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.



Janet Howard
Clerk-Treasurer

Office of Clerk Treasurer

118 E. Front Street
PO Box 372
South Whitley, IN 46787
jhoward@southwhitley.org
Telephone: 260.723.5312
Fax: 260.723.5311

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-3

Fiscal year in which the finding initially occurred: Audit Period January 1st 2011 – December 31st 2012

Pass Through Entity: Indiana Finance Authority

Contact Person Responsible for Corrective Action: Janet Howard, Clerk-Treasurer

Contact Number: 260-723-5312

It was stated that the town is working on controls for State Revolving Funds, working off OMB Circular A-133 Subpart C, Section .300. No major improvements were done.

FINDING 2012-4

Fiscal year in which the finding initially occurred: Audit Period January 1st 2011- December 31st 2012

Pass Through Entity: Indiana Finance Authority

Contact Person Responsible for Corrective Action: Janet Howard, Clerk-Treasurer

Contact Number: 260-723-5312

The clerk stated he started working on the Capital Assets Record by contacting other towns and cities on content of report, looking at setting a dollar amount for the council to approve for items purchased with Federal Funds and Federal vs Local dollars used for purchase. No Capital Asset Record with listings were established and no major improvements were done.

Janet Howard

Town of South Whitley Clerk-Treasurer



Janet Howard
Clerk-Treasurer

Office of Clerk Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Janet Howard
Contact Phone Number: 260-723-5312

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

1. The office will segregate the duties of receipts, utility billing and collections, disbursements, payroll and related liabilities as much as possible. If not possible, the office staff will check each other's responsibility to confirm accuracy.
2. The office will be able to confirm reliability of financial statements with the above action.
3. The Town Council will take an active role in monitoring financial information and internal controls. The Town Council will evaluate the Town's system of internal controls. A report of internal controls will be provided to the Council. Their review will be documented and filed in the Clerk-Treasurer's office.
4. The current Clerk-Treasurer has and will continue monthly bank reconciliations with Town Council review.
5. The current Clerk-Treasurer will properly maintain the records required by Indiana statutes and compliance guidelines.

Anticipated Completion Date: Immediately

FINDING 2014-002

Contact Person Responsible for Corrective Action: Janet Howard
Contact Phone Number: 260-723-5312

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

Office of Clerk Treasurer

118 E. Front Street
PO Box 372
South Whitley, IN 46787
jhoward@southwhitley.org
Telephone: 260.723.5312
Fax: 260.723.5311

Janet Howard
Clerk-Treasurer

1. Regarding the preparation of the Schedule of Expenditures of Federal Awards (SEFA), the Clerk-Treasurer's office will improve internal controls. This will be accomplished by assigning a staff person as Grant Administrator to the preparation of the SEFA. The Clerk-Treasurer will then review the SEFA to prevent, identify and correct errors. During the review process, the ledger will be checked to ensure no funds are omitted and no local awards are reported in error. With these changes, the Town will have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards.

Anticipated Completion Date: Immediately

FINDING 2014-003

Contact Person Responsible for Corrective Action: Janet Howard
Contact Phone Number: 260-723-5312

Views of Responsible Official:

We concur with the finding

Description of Corrective Action Plan:

CASH MANAGEMENT – the Grant Administrator and the Clerk-Treasurer will work together on the oversight of the project to monitor and approve drawdown requests for the Grant.

Reporting – the Grant Administrator will confirm if the Town needs to complete and approve the Minority Business and or Women Business reporting for the grant.

Anticipated Completion Date: Immediately

FINDING 2014-004 –

Contact Person Responsible for Corrective Action: Janet Howard
Contact Phone Number: 260-723-5312

Views of Responsible Official:

We concur with the finding

Office of Clerk Treasurer

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Janet Howard
Clerk-Treasurer

Description of Corrective Action Plan:

1. The Town will continue to enhance our internal control and improve our oversight functions. The town will have copies of all information related to contractors and subcontractors on all projects.
2. The Town has instituted a segregation of duties, to ensure compliance with both the grant agreement and the Davis Bacon compliance requirements.
3. The Town will commit to training of employees involved in projects with federal funding so that they understand the requirements of the Davis-Bacon Act.

Anticipated Completion Date: Immediately

Janet Howard
(Signature)

Clerk-Treasurer
(Title)

3-30-2016
(Date)

Bill Boyan
(Signature)

Council President
(Title)

3-30-2016
(Date)

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/>.