

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF CARTHAGE
RUSH COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
07/01/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda A. McMahan	01-01-08 to 12-31-19
President of the Town Council	Wanda C. Henderson William Armstrong Marsha Dyer William Davis	01-01-11 to 12-31-11 01-01-12 to 06-30-12 07-01-12 to 03-31-14 04-01-14 to 12-31-16
Superintendent of Utilities	Jimmy Alcorn Joshua Douglas	01-01-11 to 09-27-11 09-28-11 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CARTHAGE, RUSH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Carthage (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, 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, 2011 to December 31, 2012.

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, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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

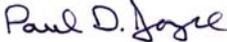
Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated April 25, 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

April 25, 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 CARTHAGE, RUSH 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 Carthage (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated April 25, 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.

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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2012-001 to be a material weakness.

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

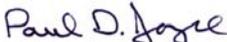
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Carthage's Response to Findings

The Town's response to the finding 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

April 25, 2016

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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 CARTHAGE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2011 and 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 36,274	\$ 224,350	\$ 186,612	\$ 74,012	\$ 138,599	\$ 158,192	\$ 54,419
Motor Vehicle Highway	44,577	75,389	80,706	39,260	107,092	73,826	72,526
Local Road And Street	24,510	3,095	24,967	2,638	3,211	-	5,849
Economic Dev Income Tax	29,425	10,658	-	40,083	13,783	-	53,866
Sanitation Fund	(12,016)	39,390	41,172	(13,798)	51,031	53,213	(15,980)
Local Law Enf Cont Ed	(544)	2,450	1,906	-	366	2,686	(2,320)
Rainy Day Fund	11,610	40	-	11,650	3	11,640	13
K-9 Fund	-	-	-	-	1,220	-	1,220
Levy Excess Fund	471	-	-	471	-	-	471
Cum Cap Imp - Cig Tax	5,031	2,665	6,320	1,376	2,459	-	3,835
Cemetery	15,233	3,120	-	18,353	1,775	150	19,978
Payroll Fund	(11,249)	198,168	186,130	789	126,096	202,460	(75,575)
Wastewater Operating	90,175	252,052	262,997	79,230	280,960	232,283	127,907
Sewer Construction	21,237	163,316	166,823	17,730	3,137,582	3,132,998	22,314
Sewer Sinking Fund	10,050	54,410	18,505	45,955	67,717	57,845	55,827
Sewer Debt Reserve	6,611	7,848	-	14,459	7,848	-	22,307
Water Operating	51,300	267,444	276,833	41,911	255,184	265,529	31,566
Water Reserve Replacement	3,448	11,007	-	14,455	10,381	-	24,836
Water Construction	1,457	34,371	35,828	-	-	-	-
Water Sinking	57,799	96,406	95,535	58,670	103,527	95,636	66,561
Water Debt Reserve	32,464	9,678	-	42,142	9,646	-	51,788
Water Customer Deposits	9,971	2,250	1,278	10,943	4,825	2,928	12,840
Utility Holding	145	544,156	544,080	221	558,294	538,297	20,218
Totals	<u>\$ 427,979</u>	<u>\$ 2,002,263</u>	<u>\$ 1,929,692</u>	<u>\$ 500,550</u>	<u>\$ 4,881,599</u>	<u>\$ 4,827,683</u>	<u>\$ 554,466</u>

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

TOWN OF CARTHAGE
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), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

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 licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF CARTHAGE
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.

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

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

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

E. Disbursements

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

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

TOWN OF CARTHAGE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF CARTHAGE
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. *Cash Balance Deficits*

The financial statement contains some funds with deficits in cash. This is a result of various types of transactions, transfers, and errors.

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OTHER INFORMATION - UNAUDITED

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

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

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

TOWN OF CARTHAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road And Street	Economic Dev Income Tax	Sanitation Fund	Local Law Enf Cont Ed	Rainy Day Fund	K-9 Fund
Cash and investments - beginning	\$ 36,274	\$ 44,577	\$ 24,510	\$ 29,425	\$ (12,016)	\$ (544)	\$ 11,610	\$ -
Receipts:								
Taxes	141,850	9,479	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	350	-	-
Intergovernmental	14,985	65,910	3,095	10,658	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	961	-	-	-	-	-	-	-
Utility fees	-	-	-	-	39,390	-	-	-
Other receipts	66,554	-	-	-	-	2,100	40	-
Total receipts	<u>224,350</u>	<u>75,389</u>	<u>3,095</u>	<u>10,658</u>	<u>39,390</u>	<u>2,450</u>	<u>40</u>	<u>-</u>
Disbursements:								
Personal services	57,871	45,229	-	-	-	-	-	-
Supplies	26,051	19,825	-	-	-	1,906	-	-
Other services and charges	91,259	15,652	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	10,146	-	24,967	-	-	-	-	-
Utility operating expenses	-	-	-	-	41,172	-	-	-
Other disbursements	1,285	-	-	-	-	-	-	-
Total disbursements	<u>186,612</u>	<u>80,706</u>	<u>24,967</u>	<u>-</u>	<u>41,172</u>	<u>1,906</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>37,738</u>	<u>(5,317)</u>	<u>(21,872)</u>	<u>10,658</u>	<u>(1,782)</u>	<u>544</u>	<u>40</u>	<u>-</u>
Cash and investments - ending	<u>\$ 74,012</u>	<u>\$ 39,260</u>	<u>\$ 2,638</u>	<u>\$ 40,083</u>	<u>\$ (13,798)</u>	<u>\$ -</u>	<u>\$ 11,650</u>	<u>\$ -</u>

TOWN OF CARTHAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Levy Excess Fund	Cum Cap Imp - Cig Tax	Cemetery	Payroll Fund	Wastewater Operating	Sewer Construction	Sewer Sinking Fund	Sewer Debt Reserve
Cash and investments - beginning	\$ 471	\$ 5,031	\$ 15,233	\$ (11,249)	\$ 90,175	\$ 21,237	\$ 10,050	\$ 6,611
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	2,665	-	-	-	-	-	-
Charges for services	-	-	3,120	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	251,745	-	-	-
Other receipts	-	-	-	198,168	307	163,316	54,410	7,848
Total receipts	-	2,665	3,120	198,168	252,052	163,316	54,410	7,848
Disbursements:								
Personal services	-	-	-	-	54,194	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	10,373	-	-	-
Debt service - principal and interest	-	-	-	-	62,212	-	18,505	-
Capital outlay	-	-	-	-	-	166,823	-	-
Utility operating expenses	-	-	-	-	136,218	-	-	-
Other disbursements	-	6,320	-	186,130	-	-	-	-
Total disbursements	-	6,320	-	186,130	262,997	166,823	18,505	-
Excess (deficiency) of receipts over disbursements	-	(3,655)	3,120	12,038	(10,945)	(3,507)	35,905	7,848
Cash and investments - ending	\$ 471	\$ 1,376	\$ 18,353	\$ 789	\$ 79,230	\$ 17,730	\$ 45,955	\$ 14,459

TOWN OF CARTHAGE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2011
 (Continued)

	Water Operating	Water Reserve Replacement	Water Construction	Water Sinking	Water Debt Reserve	Water Customer Deposits	Utility Holding	Totals
Cash and investments - beginning	\$ 51,300	\$ 3,448	\$ 1,457	\$ 57,799	\$ 32,464	\$ 9,971	\$ 145	\$ 427,979
Receipts:								
Taxes	-	-	-	-	-	-	-	151,329
Licenses and permits	-	-	-	-	-	-	-	350
Intergovernmental	-	-	-	-	-	-	-	97,313
Charges for services	-	-	-	-	-	-	544,080	547,200
Fines and forfeits	-	-	-	-	-	-	10	971
Utility fees	267,249	-	-	-	-	-	-	558,384
Other receipts	195	11,007	34,371	96,406	9,678	2,250	66	646,716
Total receipts	<u>267,444</u>	<u>11,007</u>	<u>34,371</u>	<u>96,406</u>	<u>9,678</u>	<u>2,250</u>	<u>544,156</u>	<u>2,002,263</u>
Disbursements:								
Personal services	43,146	-	-	-	-	-	-	200,440
Supplies	-	-	-	-	-	-	-	47,782
Other services and charges	8,329	-	-	-	-	-	-	125,613
Debt service - principal and interest	117,183	-	-	95,535	-	-	-	293,435
Capital outlay	-	-	35,828	-	-	-	-	237,764
Utility operating expenses	89,897	-	-	-	-	-	-	267,287
Other disbursements	18,278	-	-	-	-	1,278	544,080	757,371
Total disbursements	<u>276,833</u>	<u>-</u>	<u>35,828</u>	<u>95,535</u>	<u>-</u>	<u>1,278</u>	<u>544,080</u>	<u>1,929,692</u>
Excess (deficiency) of receipts over disbursements	<u>(9,389)</u>	<u>11,007</u>	<u>(1,457)</u>	<u>871</u>	<u>9,678</u>	<u>972</u>	<u>76</u>	<u>72,571</u>
Cash and investments - ending	<u>\$ 41,911</u>	<u>\$ 14,455</u>	<u>\$ -</u>	<u>\$ 58,670</u>	<u>\$ 42,142</u>	<u>\$ 10,943</u>	<u>\$ 221</u>	<u>\$ 500,550</u>

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Economic Dev Income Tax	Sanitation Fund	Local Law Enf Cont Ed	Rainy Day Fund	K-9 Fund
Cash and investments - beginning	\$ 74,012	\$ 39,260	\$ 2,638	\$ 40,083	\$ (13,798)	\$ -	\$ 11,650	\$ -
Receipts:								
Taxes	81,462	9,940	-	-	-	-	-	-
Licenses and permits	4,814	-	-	-	-	366	-	-
Intergovernmental	44,059	97,152	3,211	13,783	-	-	-	-
Charges for services	4	-	-	-	308	-	-	-
Fines and forfeits	991	-	-	-	-	-	-	-
Other receipts	7,269	-	-	-	50,723	-	3	1,220
Total receipts	<u>138,599</u>	<u>107,092</u>	<u>3,211</u>	<u>13,783</u>	<u>51,031</u>	<u>366</u>	<u>3</u>	<u>1,220</u>
Disbursements:								
Personal services	23,071	17,999	-	-	-	-	-	-
Supplies	14,906	6,592	-	-	-	1,396	-	-
Other services and charges	43,898	42,712	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	76,317	6,523	-	-	53,213	1,290	11,640	-
Total disbursements	<u>158,192</u>	<u>73,826</u>	<u>-</u>	<u>-</u>	<u>53,213</u>	<u>2,686</u>	<u>11,640</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(19,593)</u>	<u>33,266</u>	<u>3,211</u>	<u>13,783</u>	<u>(2,182)</u>	<u>(2,320)</u>	<u>(11,637)</u>	<u>1,220</u>
Cash and investments - ending	<u>\$ 54,419</u>	<u>\$ 72,526</u>	<u>\$ 5,849</u>	<u>\$ 53,866</u>	<u>\$ (15,980)</u>	<u>\$ (2,320)</u>	<u>\$ 13</u>	<u>\$ 1,220</u>

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

	Levy Excess Fund	Cum Cap Imp - Cig Tax	Cemetery	Payroll Fund	Wastewater Operating	Sewer Construction	Sewer Sinking Fund	Sewer Debt Reserve
Cash and investments - beginning	\$ 471	\$ 1,376	\$ 18,353	\$ 789	\$ 79,230	\$ 17,730	\$ 45,955	\$ 14,459
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	2,459	-	-	-	-	-	-
Charges for services	-	-	1,775	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Other receipts	-	-	-	126,096	280,960	3,137,582	67,717	7,848
Total receipts	<u>-</u>	<u>2,459</u>	<u>1,775</u>	<u>126,096</u>	<u>280,960</u>	<u>3,137,582</u>	<u>67,717</u>	<u>7,848</u>
Disbursements:								
Personal services	-	-	-	-	41,901	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	8,563	-	-	-
Debt service - principal and interest	-	-	-	-	70,512	-	57,845	-
Utility operating expenses	-	-	-	-	111,307	-	-	-
Other disbursements	-	-	150	202,460	-	3,132,998	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>150</u>	<u>202,460</u>	<u>232,283</u>	<u>3,132,998</u>	<u>57,845</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>2,459</u>	<u>1,625</u>	<u>(76,364)</u>	<u>48,677</u>	<u>4,584</u>	<u>9,872</u>	<u>7,848</u>
Cash and investments - ending	<u>\$ 471</u>	<u>\$ 3,835</u>	<u>\$ 19,978</u>	<u>\$ (75,575)</u>	<u>\$ 127,907</u>	<u>\$ 22,314</u>	<u>\$ 55,827</u>	<u>\$ 22,307</u>

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

	Water Operating	Water Reserve Replacement	Water Construction	Water Sinking	Water Debt Reserve	Water Customer Deposits	Utility Holding	Totals
Cash and investments - beginning	\$ 41,911	\$ 14,455	\$ -	\$ 58,670	\$ 42,142	\$ 10,943	\$ 221	\$ 500,550
Receipts:								
Taxes	-	-	-	-	-	-	-	91,402
Licenses and permits	-	-	-	-	-	-	-	5,180
Intergovernmental	-	-	-	-	-	-	-	160,664
Charges for services	-	-	-	-	-	-	-	2,087
Fines and forfeits	-	-	-	-	-	-	-	991
Other receipts	255,184	10,381	-	103,527	9,646	4,825	558,294	4,621,275
Total receipts	255,184	10,381	-	103,527	9,646	4,825	558,294	4,881,599
Disbursements:								
Personal services	30,855	-	-	-	-	-	-	113,826
Supplies	-	-	-	-	-	-	-	22,894
Other services and charges	8,083	-	-	-	-	-	-	103,256
Debt service - principal and interest	123,376	-	-	95,636	-	-	-	347,369
Utility operating expenses	67,792	-	-	-	-	-	-	179,099
Other disbursements	35,423	-	-	-	-	2,928	538,297	4,061,239
Total disbursements	265,529	-	-	95,636	-	2,928	538,297	4,827,683
Excess (deficiency) of receipts over disbursements	(10,345)	10,381	-	7,891	9,646	1,897	19,997	53,916
Cash and investments - ending	\$ 31,566	\$ 24,836	\$ -	\$ 66,561	\$ 51,788	\$ 12,840	\$ 20,218	\$ 554,466

TOWN OF CARTHAGE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 16,535
Water	-	4,609
Sanitation	-	866
Totals	\$ -	\$ 22,010

TOWN OF CARTHAGE
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater:			
Revenue bonds	Schedule of Amortization of \$1,958,000 Principal A	\$ 1,927,000	\$ 77,386
Water:			
Revenue bonds	Water Works Revenue Bond Series 2007A	1,536,000	85,784
Revenue bonds	Water Works Revenue Bond Series 2007B	<u>155,000</u>	<u>8,930</u>
Total Water		<u>1,691,000</u>	<u>94,714</u>
Totals		<u>\$ 3,618,000</u>	<u>\$ 172,100</u>

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TOWN OF CARTHAGE
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 8,000
Infrastructure	6,101,609
Buildings	48,000
Improvements other than buildings	71,485
Machinery, equipment, and vehicles	405,089
Total governmental activities	6,634,183
Wastewater:	
Land	34,000
Improvements other than buildings	930,125
Buildings	189,000
Machinery, equipment, and vehicles	323,118
Total Wastewater	1,476,243
Water:	
Land	65,000
Buildings	165,000
Infrastructure	1,944,916
Machinery, equipment, and vehicles	50,420
Total Water	2,225,336
Total capital assets	\$ 10,335,762

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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 CARTHAGE, RUSH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Carthage'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, 2011 to December 31, 2012. 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, 2011 to December 31, 2012.

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 an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2012-002. Our opinion on the major federal program is not modified with respect to this matter.

The Town's response to the noncompliance finding 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

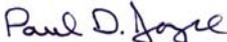
Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of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

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 2012-002 to be a material weakness.

The Town's response to the internal control over compliance finding 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

April 25, 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 CARTHAGE
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities Water and Waste Disposal Loan and Grant	Direct grant	10.760	\$ 163,200	\$ 1,005,800
Water and Waste Disposal Systems for Rural Communities - ARRA ARRA - Water and Waste Disposal Loan and Grant, Recovery Act	Direct grant	10.781	-	<u>2,131,730</u>
Total federal awards expended			<u>\$ 163,200</u>	<u>\$ 3,137,530</u>

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

TOWN OF CARTHAGE
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 CARTHAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

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

Identification of Major Program:

Name of Federal Program or Cluster

Water and Waste Program Cluster

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

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

Section II - Financial Statement Findings

FINDING 2012-001 - INTERNAL CONTROL OVER FINANCIAL TRANSACTIONS AND REPORTING

There were deficiencies in the internal control system of the Town related to financial transactions and reporting.

Lack of Segregation of Duties: The Town had not separated incompatible activities related to the accounting, billing, and collection functions of the Town and its utilities. All duties were performed by two individuals, the Clerk-Treasurer and the Deputy Clerk-Treasurer. The lack of segregation of duties was a result of the Town having a small staff which limits the Town's ability to segregate accounting functions. The failure to establish these controls could have enabled material misstatements or irregularities to remain undetected. Control activities should have been in place to reduce the risks of errors in financial reporting.

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

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-002 - INTERNAL CONTROL OVER SPECIAL TESTS AND PROVISIONS

Federal Agency: U.S. Department of Agriculture
Federal Programs: Water and Waste Disposal Systems for Rural Communities, ARRA - Water
and Waste Disposal Systems for Rural Communities, Recovery Act
CFDA Numbers: 10.760, 10.781
Direct Award

Management of the Town had not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the following compliance requirement: Special Tests and Provisions.

The Town combined the federal program records of Water and Waste Disposal Systems for Rural Communities and ARRA - Water and Waste Disposal Systems for Rural Communities, Recovery Act into the Wastewater Improvement Project Fund; however, the ARRA - Water and Waste Disposal Systems for Rural Communities, Recovery Act was required to maintain separate records.

The failure to establish an effective internal control system placed 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 have also allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the programs.

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 programs. 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 CARTHAGE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2 CFR 176.210 states in part:

"(a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. . . ."

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 enabled material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could have resulted 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 requirement listed above.

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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 OF CARTHAGE
6 WEST FIRST STREET
CARTHAGE, IN 46115

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Linda McMahan, Clerk-Treasurer
Contact Phone Number: 765-565-6580

Views of Responsible Official: We (The Town of Carthage) concur with the finding.

Description of Corrective Action Plan: The Town of Carthage will review its control procedures to obtain required maximum internal control.

Anticipated Completion Date: April 25, 2016

FINDING 2012-002

Contact Person Responsible for Corrective Action: Linda McMahan, Clerk-Treasurer
Contact Phone Number: 765-565-6580

Views of Responsible Official: We (The Town of Carthage) concur with the finding.

Description of Corrective Action Plan: The Town of Carthage will review its control procedures to obtain required maximum internal control.

Anticipated Completion Date: April 25, 2016

Linda L Mcmahon
(Signature)

Club Treasurer
(Title)

4-25-16
(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/>.