

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF REYNOLDS
WHITE COUNTY, INDIANA

January 1, 2013 to December 31, 2014



FILED
05/06/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tracy A. Mayhill	01-01-12 to 12-31-19
President of the Town Council	Sid Holderly Scott E. Denton	01-01-13 to 12-31-14 01-01-15 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF REYNOLDS, WHITE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Reynolds (Town), which comprises the financial position and results of operations for the period of January 1, 2013 to December 31, 2014, and the related notes to the financial statement as listed in the Table of Contents.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2013 to December 31, 2014.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2013 to December 31, 2014, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

Supplementary Information

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


Other Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 18, 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

February 18, 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 REYNOLDS, WHITE 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 Reynolds (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 February 18, 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 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 Reynolds's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 18, 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 REYNOLDS
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	\$ 103,326	\$ 150,092	\$ 94,296	\$ 159,122	\$ 121,146	\$ 104,902	\$ 175,366
Motor Vehicle Highway	12,093	15,246	9,874	17,465	18,805	12,226	24,044
Local Road And Street	2,854	2,335	1,840	3,349	2,347	2,823	2,873
Law Enforcement Continuing Ed	5,276	-	3,800	1,476	-	574	902
Riverboat	34,107	3,157	-	37,264	3,157	-	40,421
Rainy Day	16,895	-	-	16,895	-	-	16,895
CEDIT Special Revenue	34,767	8,196	2,500	40,463	8,290	2,500	46,253
Cumulative Capl Imprv Cigarette Tax	6,888	1,431	-	8,319	1,410	2,500	7,229
Donations	138	-	-	138	-	-	138
Community Building/Center	2,896	485	188	3,193	405	214	3,384
Economic Development Rev. Bond	518,041	528,500	704,845	341,696	4,000	163,429	182,267
Park And Recreation Improvements	2,497	1,552	1,867	2,182	516	1,110	1,588
Sewage Insurance Money	-	-	-	-	144,961	8,807	136,154
Wastewater Utility-Operating	9,218	207,494	149,540	67,172	154,906	176,974	45,104
Wastewater Util-Bond And Interest	-	65,906	61,537	4,369	62,611	61,064	5,916
Wastewater Utility-Deprec/Improve	20,606	-	16,879	3,727	-	-	3,727
Wastewater Utility-Customer Deposit	7,207	650	267	7,590	1,675	100	9,165
Wastewater Utility-Debt Reserve	37,510	63,792	84,800	16,502	1,286	-	17,788
Wastewater Debt Service	48,000	-	-	48,000	-	-	48,000
Wastewater Construction SRF Loan	-	291,690	291,690	-	70,220	70,220	-
Water Utility-Operating	15,158	97,742	118,404	(5,504)	173,731	155,222	13,005
Water Utility-Bond And Interest	10,405	27,313	29,305	8,413	35,758	29,671	14,500
Water Utility-Customer Deposit	7,860	450	214	8,096	1,135	100	9,131
Water Utility-Debt Reserve	34,915	140	1,000	34,055	-	15,442	18,613
Totals	\$ 930,657	\$ 1,466,171	\$ 1,572,846	\$ 823,982	\$ 806,359	\$ 807,878	\$ 822,463

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

TOWN OF REYNOLDS
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

TOWN OF REYNOLDS
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

TOWN OF REYNOLDS
NOTES TO FINANCIAL STATEMENT
(Continued)

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 REYNOLDS
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. *Subsequent Event*

The Town began a Water Tower Project in 2015 totaling \$1,598,000. The project consisted of replacing the water tower. The funding source for the project was a \$400,000 Community Development Block Grant and a \$1,198,000 State Revolving Fund Local Match.

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

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

TOWN OF REYNOLDS
 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	Law Enforcement Continuing Ed	Riverboat	Rainy Day	CEDIT Special Revenue	Cumulative Capl Imprv Cigarette Tax	Donations
Cash and investments - beginning	\$ 103,326	\$ 12,093	\$ 2,854	\$ 5,276	\$ 34,107	\$ 16,895	\$ 34,767	\$ 6,888	\$ 138
Receipts:									
Taxes	107,650	-	-	-	-	-	-	-	-
Intergovernmental	38,243	15,246	2,335	-	3,157	-	8,196	1,431	-
Charges for services	1,741	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	2,458	-	-	-	-	-	-	-	-
Total receipts	<u>150,092</u>	<u>15,246</u>	<u>2,335</u>	<u>-</u>	<u>3,157</u>	<u>-</u>	<u>8,196</u>	<u>1,431</u>	<u>-</u>
Disbursements:									
Personal services	35,326	713	-	-	-	-	-	-	-
Supplies	6,999	7,284	1,810	-	-	-	-	-	-
Other services and charges	39,484	1,877	30	3,800	-	-	2,500	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	5,084	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	7,403	-	-	-	-	-	-	-	-
Total disbursements	<u>94,296</u>	<u>9,874</u>	<u>1,840</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>55,796</u>	<u>5,372</u>	<u>495</u>	<u>(3,800)</u>	<u>3,157</u>	<u>-</u>	<u>5,696</u>	<u>1,431</u>	<u>-</u>
Cash and investments - ending	<u>\$ 159,122</u>	<u>\$ 17,465</u>	<u>\$ 3,349</u>	<u>\$ 1,476</u>	<u>\$ 37,264</u>	<u>\$ 16,895</u>	<u>\$ 40,463</u>	<u>\$ 8,319</u>	<u>\$ 138</u>

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

	Community Building/Center	Economic Development Rev. Bond	Park And Recreation Improvements	Sewage Insurance Money	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility- Deprec/Improve	Wastewater Utility-Customer Deposit
Cash and investments - beginning	\$ 2,896	\$ 518,041	\$ 2,497	\$ -	\$ 9,218	\$ -	\$ 20,606	\$ 7,207
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	485	-	-	-	-	-	-	-
Utility fees	-	-	-	-	133,015	-	-	650
Penalties	-	-	-	-	2,793	-	-	-
Other receipts	-	528,500	1,552	-	71,686	65,906	-	-
Total receipts	485	528,500	1,552	-	207,494	65,906	-	650
Disbursements:								
Personal services	-	-	-	-	19,985	-	-	-
Supplies	15	-	1,837	-	-	-	-	-
Other services and charges	-	704,845	30	-	2,531	-	-	-
Debt service - principal and interest	-	-	-	-	-	61,537	-	-
Capital outlay	-	-	-	-	-	-	9,222	-
Utility operating expenses	-	-	-	-	53,092	-	-	-
Other disbursements	173	-	-	-	73,932	-	7,657	267
Total disbursements	188	704,845	1,867	-	149,540	61,537	16,879	267
Excess (deficiency) of receipts over disbursements	297	(176,345)	(315)	-	57,954	4,369	(16,879)	383
Cash and investments - ending	\$ 3,193	\$ 341,696	\$ 2,182	\$ -	\$ 67,172	\$ 4,369	\$ 3,727	\$ 7,590

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

	Wastewater Utility-Debt Reserve	Wastewater Debt Service	Wastewater Construction SRF Loan	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 37,510	\$ 48,000	\$ -	\$ 15,158	\$ 10,405	\$ 7,860	\$ 34,915	\$ 930,657
Receipts:								
Taxes	-	-	-	-	-	-	-	107,650
Intergovernmental	-	-	291,690	-	-	-	-	360,298
Charges for services	-	-	-	-	-	-	-	2,226
Utility fees	-	-	-	94,414	-	450	-	228,529
Penalties	-	-	-	1,318	-	-	-	4,111
Other receipts	63,792	-	-	2,010	27,313	-	140	763,357
Total receipts	63,792	-	291,690	97,742	27,313	450	140	1,466,171
Disbursements:								
Personal services	-	-	-	20,298	-	-	-	76,322
Supplies	-	-	-	-	-	-	-	17,945
Other services and charges	-	-	-	2,531	-	-	-	757,628
Debt service - principal and interest	-	-	-	-	29,305	-	-	90,842
Capital outlay	-	-	291,690	-	-	-	-	305,996
Utility operating expenses	-	-	-	68,262	-	214	-	121,568
Other disbursements	84,800	-	-	27,313	-	-	1,000	202,545
Total disbursements	84,800	-	291,690	118,404	29,305	214	1,000	1,572,846
Excess (deficiency) of receipts over disbursements	(21,008)	-	-	(20,662)	(1,992)	236	(860)	(106,675)
Cash and investments - ending	\$ 16,502	\$ 48,000	\$ -	\$ (5,504)	\$ 8,413	\$ 8,096	\$ 34,055	\$ 823,982

TOWN OF REYNOLDS
 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	Law Enforcement Continuing Ed	Riverboat	Rainy Day	CEDIT Special Revenue	Cumulative Capl Imprv Cigarette Tax	Donations
Cash and investments - beginning	\$ 159,122	\$ 17,465	\$ 3,349	\$ 1,476	\$ 37,264	\$ 16,895	\$ 40,463	\$ 8,319	\$ 138
Receipts:									
Taxes	74,028	-	-	-	-	-	-	-	-
Licenses and permits	444	-	-	-	-	-	-	-	-
Intergovernmental	46,045	18,805	2,347	-	3,157	-	8,290	1,410	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	629	-	-	-	-	-	-	-	-
Total receipts	121,146	18,805	2,347	-	3,157	-	8,290	1,410	-
Disbursements:									
Personal services	37,146	700	-	-	-	-	-	-	-
Supplies	10,523	8,868	2,802	-	-	-	-	-	-
Other services and charges	38,804	2,658	21	574	-	-	2,500	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	4,792	-	-	-	-	-	-	2,500	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	13,637	-	-	-	-	-	-	-	-
Total disbursements	104,902	12,226	2,823	574	-	-	2,500	2,500	-
Excess (deficiency) of receipts over disbursements	16,244	6,579	(476)	(574)	3,157	-	5,790	(1,090)	-
Cash and investments - ending	\$ 175,366	\$ 24,044	\$ 2,873	\$ 902	\$ 40,421	\$ 16,895	\$ 46,253	\$ 7,229	\$ 138

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

	Community Building/Center	Economic Development Rev. Bond	Park And Recreation Improvements	Sewage Insurance Money	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility- Deprec/Improve	Wastewater Utility-Customer Deposit
Cash and investments - beginning	\$ 3,193	\$ 341,696	\$ 2,182	\$ -	\$ 67,172	\$ 4,369	\$ 3,727	\$ 7,590
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	405	-	-	-	-	-	-	-
Utility fees	-	-	-	-	151,136	-	-	-
Penalties	-	-	-	-	3,664	-	-	-
Other receipts	-	4,000	516	144,961	106	62,611	-	1,675
Total receipts	<u>405</u>	<u>4,000</u>	<u>516</u>	<u>144,961</u>	<u>154,906</u>	<u>62,611</u>	<u>-</u>	<u>1,675</u>
Disbursements:								
Personal services	-	-	-	-	26,687	-	-	-
Supplies	109	-	89	-	-	-	-	-
Other services and charges	105	163,429	1,021	-	2,787	-	-	-
Debt service - principal and interest	-	-	-	-	5,225	61,064	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	8,807	56,378	-	-	-
Other disbursements	-	-	-	-	85,897	-	-	100
Total disbursements	<u>214</u>	<u>163,429</u>	<u>1,110</u>	<u>8,807</u>	<u>176,974</u>	<u>61,064</u>	<u>-</u>	<u>100</u>
Excess (deficiency) of receipts over disbursements	<u>191</u>	<u>(159,429)</u>	<u>(594)</u>	<u>136,154</u>	<u>(22,068)</u>	<u>1,547</u>	<u>-</u>	<u>1,575</u>
Cash and investments - ending	<u>\$ 3,384</u>	<u>\$ 182,267</u>	<u>\$ 1,588</u>	<u>\$ 136,154</u>	<u>\$ 45,104</u>	<u>\$ 5,916</u>	<u>\$ 3,727</u>	<u>\$ 9,165</u>

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

	Wastewater Utility-Debt Reserve	Wastewater Debt Service	Wastewater Construction SRF Loan	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 16,502	\$ 48,000	\$ -	\$ (5,504)	\$ 8,413	\$ 8,096	\$ 34,055	\$ 823,982
Receipts:								
Taxes	-	-	-	-	-	-	-	74,028
Licenses and permits	-	-	70,220	-	-	-	-	70,664
Intergovernmental	-	-	-	-	-	-	-	80,054
Charges for services	-	-	-	-	-	-	-	405
Utility fees	-	-	-	135,004	-	-	-	286,140
Penalties	-	-	-	1,314	-	-	-	4,978
Other receipts	1,286	-	-	37,413	35,758	1,135	-	290,090
Total receipts	1,286	-	70,220	173,731	35,758	1,135	-	806,359
Disbursements:								
Personal services	-	-	-	23,534	-	-	-	88,067
Supplies	-	-	-	-	-	-	-	22,391
Other services and charges	-	-	-	2,787	-	-	-	214,686
Debt service - principal and interest	-	-	-	-	29,671	-	-	95,960
Capital outlay	-	-	70,220	-	-	-	-	77,512
Utility operating expenses	-	-	-	93,143	-	-	-	158,328
Other disbursements	-	-	-	35,758	-	100	15,442	150,934
Total disbursements	-	-	70,220	155,222	29,671	100	15,442	807,878
Excess (deficiency) of receipts over disbursements	1,286	-	-	18,509	6,087	1,035	(15,442)	(1,519)
Cash and investments - ending	\$ 17,788	\$ 48,000	\$ -	\$ 13,005	\$ 14,500	\$ 9,131	\$ 18,613	\$ 822,463

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ -	\$ 24,206
Water	<u>22,000</u>	<u>1,471</u>
Totals	<u>\$ 22,000</u>	<u>\$ 25,677</u>

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2004	\$ 223,000	\$ 60,261
Revenue bonds	Sewage Works Revenue Bonds of 2013	<u>364,000</u>	<u>6,453</u>
Total Wastewater		<u>587,000</u>	<u>66,714</u>
Water:			
Revenue bonds	Waterworks Revenue Bonds of 1995	<u>29,000</u>	<u>30,823</u>
Totals		<u>\$ 616,000</u>	<u>\$ 97,537</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF REYNOLDS, WHITE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Reynolds' (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

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 2014-003 to be a material weakness.

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

February 18, 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 REYNOLDS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Years Ended December 31, 2013 and 2014

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-13	Total Federal Awards Expended 12-31-14
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster	Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					
Wastewater System Rehabilitation Project		14.228	CF-12-108	\$ 496,000	\$ 4,000
Total - Department of Housing and Urban Development				<u>496,000</u>	<u>4,000</u>
<u>Environmental Protection Agency</u>					
Clean Water State Revolving Fund Cluster					
Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority				
Wastewater System Rehabilitation Project		66.458	WW129115 01	<u>97,189</u>	<u>23,395</u>
Total - Environmental Protection Agency				<u>97,189</u>	<u>23,395</u>
Total federal awards expended				<u>\$ 593,189</u>	<u>\$ 27,395</u>

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

TOWN OF REYNOLDS
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 REYNOLDS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

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

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

CDBG - State-Administered CDBG Cluster

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

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

Section II - Financial Statement Findings

FINDING 2014-001 - FINANCIAL TRANSACTIONS AND REPORTING

We noted deficiencies in the internal control system of the Town related to financial transactions and reporting. Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to all areas of the financial statement. The Clerk-Treasurer was responsible for all aspects of the Town's financial transactions and recording, including cash and investment balances, receipts, disbursements, as well as for financial reporting. There was no segregation of duties, such as an oversight, review, or approval process.

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

During the audit, we noted that in 2013 and 2014, the Town received State Revolving Loan funds for constructions costs related to the Wastewater Utility of \$291,690 and \$70,220, respectively. These transactions were not reflected Town's records or in the financial statement. Audit adjustment were proposed, accepted by the Town, and made to the financial statement presented in this report.

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

All financial transaction pertaining to the governmental unit should be recorded in the records 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.

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 - 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. The Clerk-Treasurer independently prepared the SEFA without oversight, review, or approval.

During the audit of the SEFA for 2014, we noted that federal awards were incorrectly reported. This error resulted in the SEFA presented for audit to be understated by \$27,395. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report.

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

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

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

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

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

"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. . . ."

Section III - Federal Award Findings and Questioned Costs

***FINDING 2014-003 - INTERNAL CONTROL OVER COMMUNITY DEVELOPMENT
BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

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

CFDA Number: 14.228

Federal Award Number and Year: CF-12-108

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

The Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and the Activities Allowed, Allowable Costs/Cost Principles, Cash Management, Davis-Bacon Act, Matching, Period of Availability, Procurement and Suspension and Debarment, Reporting, and Special Tests and Provisions compliance requirements.

Activities Allowed, Allowable Costs/Cost Principles, Period of Availability, Cash Management

The Town has not designed or implemented adequate policies and procedures to ensure that amounts expended were for allowable activities, were allowable costs, were within the period of availability, or were accurately claimed for reimbursement. The Town hired a Grant Administrator to verify that the Town was in compliance with the Activities Allowed, Allowable Costs/Cost Principles, Period of Availability, and Cash Management requirements of the program. The Grant Administrator received invoices for payment from the construction contractor, then prepared and submitted the Claims for Reimbursement. There was no evidence of oversight, review, or approval by the Town.

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

Davis-Bacon Act

The Town has not designed or implemented adequate policies and procedures to ensure that the construction contractor submitted certified payrolls each week. The Grant Administrator received all payroll information to review to ensure compliance with the Davis-Bacon Act requirements. There was no oversight, review, or approval by the Town.

Matching

The Town has not designed or implemented adequate policies and procedures to ensure that the Town expended the required matching amount per the grant agreement. The Grant Administrator maintained documents verifying compliance with the matching requirement but there was no evidence of oversight, review, or approval by the Town.

Procurement and Suspension and Debarment

The Town has not designed or implemented adequate policies and procedures to ensure that the project was properly bid or that the contractor was not suspended or debarred from participation in federal programs. The Grant Administrator maintained documents verifying compliance with the Procurement and Suspension and Debarment compliance requirements; however, there was no evidence of oversight, review, or approval by the Town.

Reporting

The Town has not designed or implemented adequate policies and procedures to ensure that required reports were accurate. The Grant Administrator prepared all semi-annual reports. The reports were presented to the Town Board President for his signature prior to submission; however, there was no evidence of oversight or review of the accuracy of the reports.

Special Tests and Provisions

The Town has not designed or implemented adequate policies and procedures to ensure compliance with the Special Tests and Provisions requirements. The Grant Administrator completed all the activities required for the Environmental Oversight, Environmental Review, and Citizen Participation requirements without evidence of oversight, review, or approval.

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

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

TOWN OF REYNOLDS
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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements could result in the loss of federal funds to the Town.

We recommended that the Town's management establish controls, including segregation of duties, to ensure compliance with the grant agreement and the requirements 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 Reynolds

Reynolds, Indiana 47980

Corrective Action Plan

Contact Person Responsible for Corrective Action: Tracy Mayhill, Clerk Treasurer
Contact Phone Number 219-984-6425

Finding 2014-001

The Clerk Treasurer will make sure all activities are listed in the financial statement. The clerk will also try to get a board member to check over the reports if they are available to do so. The clerk will check all the internal controls to verify all balances are correct. Effort will be made to keep track of the Towns financial transactions. We will begin this process immediately.

Finding 2014-002

The Clerk Treasurer will try to work closer with the grant writing firm to ensure proper reporting of the SEFA is accurate. Because the town is so small the Clerk will also try to get a member of the board to help check all reports to make sure they are done properly. Effort will be made to make sure proper control is being done. We will begin working on this problem immediately.

Finding 2014-003

The Clerk Treasurer will try to get the board to help with the segregation of duties to make sure the papers are being filled out properly when received from the third party grant administration. With the Town being so small and only having the clerk with no other office help, the Town will try to segregate duties as much as possible. They will try to make sure all the proper internal controls are in place to make sure reports are done correctly. The clerk will begin in March 2016 to try and get the board more involved.

Tracy Mayhill

2-17-16

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/>.