

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF MONTEZUMA
PARKE COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
12/08/2016

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Cathy L. Morgan	01-01-12 to 12-31-19
President of the Town Council	G. Allen Cobb	01-01-14 to 12-31-16
Superintendent of Utilities	Robert Allen Donald Cobb	01-01-14 to 05-18-14 05-19-14 to 12-31-16



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Montezuma (Town), which comprises the financial position and results of operations for the year ended 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 year ended 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 year ended 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 Schedule 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 October 20, 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

October 20, 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 MONTEZUMA, PARKE 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 Montezuma (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated October 20, 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 item 2014-002.

Town of Montezuma's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

October 20, 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.

TOWN OF MONTEZUMA
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 239,112	\$ 166,955	\$ 180,766	\$ 225,301
Mvh	240,473	43,403	34,655	249,221
Local Road And Street	43,339	3,775	-	47,114
Law Enforcement Cont. Ed	2,666	345	588	2,423
Parks	2,200	7,691	8,129	1,762
Rainy Day Fund	7,481	-	-	7,481
Cumulative Capital Development	71,591	2,795	-	74,386
Cccif (Community Center)	3,271	738	-	4,009
EDIT	23,449	14,652	7,000	31,101
Cumulative Capital Improvement	19,954	2,703	2,716	19,941
Park Board/Aztec Park Covered Bridge	311	225	90	446
K-9 Unit Donation Fund	76	175	250	1
FEMA Flood Buyout Grant	-	59,244	59,244	-
IHCDA Flood Buyout	-	308,654	308,654	-
Cemetery	13,097	15,202	11,808	16,491
Restricted Donations	2,325	1,200	1,000	2,525
Cemetery Perpetual Care	50,810	1,110	1,000	50,920
Fire Department Fund#1	8,286	21,746	23,087	6,945
Park Donation Fund	17,064	21,290	14,043	24,311
Public Safety	27,459	14,780	17,866	24,373
Payroll	1,237	437,489	437,537	1,189
Electric Operating	2,089,295	2,381,666	2,587,041	1,883,920
Electric Depreciation	479,723	9,637	-	489,360
Electric Cust Deposit Fund	28,840	5,370	5,635	28,575
Electric Reserve	900	200	900	200
Sewer Depreciation/Improvement	-	18,175	-	18,175
Sewer Sinking Fund	165,546	189,029	187,974	166,601
Sewer Debt Service Reserve	22,074	18,921	-	40,995
Sewage Works Construction	72,901	-	72,899	2
Sewer Operating	33,603	351,030	365,379	19,254
Water Operating	84,213	172,672	167,725	89,160
Water Depreciatin	45,168	3,514	-	48,682
Water Cust Deposit Fund	19,165	3,885	3,965	19,085
Water Reserve	700	700	900	500
Gas Operating	265,868	476,765	493,440	249,193
Gas Depreciation	167,150	4,678	-	171,828
Gas Cust Deposit Fund	24,500	4,220	4,165	24,555
Gas Reserve	600	400	600	400
Totals	<u>\$ 4,274,447</u>	<u>\$ 4,765,034</u>	<u>\$ 4,999,056</u>	<u>\$ 4,040,425</u>

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

TOWN OF MONTEZUMA
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 tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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 the following: peddler licenses, dog tax licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MONTEZUMA
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, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

Penalties, which include fees received for late payments.

Other receipts, which include amounts received from various sources including, but 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, which 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, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENT
(Continued)

Debt service - principal and interest, which includes 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 includes 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

TOWN OF MONTEZUMA
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job-related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third-party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Pension Plan

The Town contributes to a pension plan unique to the Town. Information regarding the plan may be obtained from the Town.

Note 7. Subsequent Events

In 2016, the Town was awarded a grant for an amount of \$600,000 from the Indiana Office of Community and Rural Affairs for a water improvement project.

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 Town's Annual Financial Report 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 MONTEZUMA
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General	Mvh	Local Road And Street	Law Enforcement Cont. Ed	Parks	Rainy Day Fund	Cumulative Capital Development	Cccif (Community Center)
Cash and investments - beginning	\$ 239,112	\$ 240,473	\$ 43,339	\$ 2,666	\$ 2,200	\$ 7,481	\$ 71,591	\$ 3,271
Receipts:								
Taxes	56,603	-	3,775	-	6,766	-	2,450	-
Licenses and permits	125	-	-	345	-	-	-	-
Intergovernmental receipts	93,237	43,403	-	-	925	-	335	-
Charges for services	1,477	-	-	-	-	-	-	738
Fines and forfeits	2,888	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	12,625	-	-	-	-	-	10	-
Total receipts	<u>166,955</u>	<u>43,403</u>	<u>3,775</u>	<u>345</u>	<u>7,691</u>	<u>-</u>	<u>2,795</u>	<u>738</u>
Disbursements:								
Personal services	92,974	7,467	-	-	-	-	-	-
Supplies	18,349	4,219	-	588	1,232	-	-	-
Other services and charges	39,699	1,819	-	-	6,897	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	20,359	17,916	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	9,385	3,234	-	-	-	-	-	-
Total disbursements	<u>180,766</u>	<u>34,655</u>	<u>-</u>	<u>588</u>	<u>8,129</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(13,811)</u>	<u>8,748</u>	<u>3,775</u>	<u>(243)</u>	<u>(438)</u>	<u>-</u>	<u>2,795</u>	<u>738</u>
Cash and investments - ending	<u>\$ 225,301</u>	<u>\$ 249,221</u>	<u>\$ 47,114</u>	<u>\$ 2,423</u>	<u>\$ 1,762</u>	<u>\$ 7,481</u>	<u>\$ 74,386</u>	<u>\$ 4,009</u>

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

	EDIT	Cumulative Capital Improvement	Park Board/Aztec Park Covered Bridge	K-9 Unit Donation Fund	FEMA Flood Buyout Grant	IHCDA Flood Buyout	Cemetery	Restricted Donations
Cash and investments - beginning	\$ 23,449	\$ 19,954	\$ 311	\$ 76	\$ -	\$ -	\$ 13,097	\$ 2,325
Receipts:								
Taxes	-	-	-	-	-	-	5,003	-
Licenses and permits	-	-	-	-	-	-	-	1,200
Intergovernmental receipts	14,652	2,703	-	-	59,244	308,654	684	-
Charges for services	-	-	-	-	-	-	9,515	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	225	175	-	-	-	-
Total receipts	14,652	2,703	225	175	59,244	308,654	15,202	1,200
Disbursements:								
Personal services	-	-	-	-	-	-	1,101	-
Supplies	-	-	90	-	-	-	450	-
Other services and charges	-	2,716	-	250	59,244	24,048	10,181	1,000
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	7,000	-	-	-	-	284,606	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	76	-
Total disbursements	7,000	2,716	90	250	59,244	308,654	11,808	1,000
Excess (deficiency) of receipts over disbursements	7,652	(13)	135	(75)	-	-	3,394	200
Cash and investments - ending	\$ 31,101	\$ 19,941	\$ 446	\$ 1	\$ -	\$ -	\$ 16,491	\$ 2,525

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

	Cemetery Perpetual Care	Fire Department Fund#1	Park Donation Fund	Public Safety	Payroll	Electric Operating	Electric Depriciation	Electric Cust Deposit Fund
Cash and investments - beginning	\$ 50,810	\$ 8,286	\$ 17,064	\$ 27,459	\$ 1,237	\$ 2,089,295	\$ 479,723	\$ 28,840
Receipts:								
Taxes	-	15,078	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	1,896	-	14,780	-	-	-	-
Charges for services	1,100	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,637,158	-	-
Penalties	-	-	-	-	-	6,706	-	-
Other receipts	10	4,772	21,290	-	437,489	737,802	9,637	5,370
Total receipts	1,110	21,746	21,290	14,780	437,489	2,381,666	9,637	5,370
Disbursements:								
Personal services	-	-	-	17,191	-	-	-	-
Supplies	-	7,506	2,121	-	-	-	-	-
Other services and charges	1,000	14,950	1,653	675	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	10,269	-	-	8,000	-	-
Utility operating expenses	-	-	-	-	-	1,733,745	-	5,550
Other disbursements	-	631	-	-	437,537	845,296	-	85
Total disbursements	1,000	23,087	14,043	17,866	437,537	2,587,041	-	5,635
Excess (deficiency) of receipts over disbursements	110	(1,341)	7,247	(3,086)	(48)	(205,375)	9,637	(265)
Cash and investments - ending	\$ 50,920	\$ 6,945	\$ 24,311	\$ 24,373	\$ 1,189	\$ 1,883,920	\$ 489,360	\$ 28,575

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

	Electric Reserve	Sewer Depreciation/Improvement	Sewer Sinking Fund	Sewer Debt Service Reserve	Sewage Works Construction	Sewer Operating	Water Operating	Water Depreciatin
Cash and investments - beginning	\$ 900	\$ -	\$ 165,546	\$ 22,074	\$ 72,901	\$ 33,603	\$ 84,213	\$ 45,168
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	311,047	169,744	-
Penalties	-	-	-	-	-	3,133	1,876	-
Other receipts	200	18,175	189,029	18,921	-	36,850	1,052	3,514
Total receipts	200	18,175	189,029	18,921	-	351,030	172,672	3,514
Disbursements:								
Personal services	-	-	-	-	-	74,150	62,150	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	6,720	7,609	-
Debt service - principal and interest	-	-	187,974	-	-	-	-	-
Capital outlay	-	-	-	-	-	3,033	3,033	-
Utility operating expenses	-	-	-	-	18,375	34,043	70,960	-
Other disbursements	900	-	-	-	54,524	247,433	23,973	-
Total disbursements	900	-	187,974	-	72,899	365,379	167,725	-
Excess (deficiency) of receipts over disbursements	(700)	18,175	1,055	18,921	(72,899)	(14,349)	4,947	3,514
Cash and investments - ending	\$ 200	\$ 18,175	\$ 166,601	\$ 40,995	\$ 2	\$ 19,254	\$ 89,160	\$ 48,682

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

	Water Cust Deposit Fund	Water Reserve	Gas Operating	Gas Depreciation	Gas Cust Deposit Fund	Gas Reserve	Totals
Cash and investments - beginning	\$ 19,165	\$ 700	\$ 265,868	\$ 167,150	\$ 24,500	\$ 600	\$ 4,274,447
Receipts:							
Taxes	-	-	-	-	-	-	89,675
Licenses and permits	-	-	-	-	-	-	1,670
Intergovernmental receipts	-	-	-	-	-	-	540,513
Charges for services	-	-	-	-	-	-	12,830
Fines and forfeits	-	-	-	-	-	-	2,888
Utility fees	-	-	472,130	-	-	-	2,590,079
Penalties	-	-	3,599	-	-	-	15,314
Other receipts	3,885	700	1,036	4,678	4,220	400	1,512,065
Total receipts	3,885	700	476,765	4,678	4,220	400	4,765,034
Disbursements:							
Personal services	-	-	-	-	-	-	255,033
Supplies	-	-	-	-	-	-	34,555
Other services and charges	-	-	-	-	-	-	178,461
Debt service - principal and interest	-	-	-	-	-	-	187,974
Capital outlay	-	-	3,033	-	-	-	357,249
Utility operating expenses	-	-	440,565	-	4,110	-	2,307,348
Other disbursements	3,965	900	49,842	-	55	600	1,678,436
Total disbursements	3,965	900	493,440	-	4,165	600	4,999,056
Excess (deficiency) of receipts over disbursements	(80)	(200)	(16,675)	4,678	55	(200)	(234,022)
Cash and investments - ending	\$ 19,085	\$ 500	\$ 249,193	\$ 171,828	\$ 24,555	\$ 400	\$ 4,040,425

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Electric	\$ -	\$ 28,941
Wastewater	-	5,971
Water	-	4,780
Gas	-	-
Governmental activities	-	-
Totals	\$ -	\$ 39,692

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Pitney Bowes	Postage Meter	\$ 94	8/30/2012	8/31/2016
Electric: Pitney Bowes	Postage Meter	94	8/30/2012	8/31/2016
Wastewater: Pitney Bowes	Postage Meter	94	8/30/2012	8/31/2016
Water: Pitney Bowes	Postage Meter	94	8/30/2012	8/31/2016
Gas: Pitney Bowes	Postage Meter	94	8/30/2012	8/31/2016
Total of annual lease payments		<u>\$ 470</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: Revenue bonds	Sewage Treatment Plant & Distribution System	\$ 4,624,000	\$ 189,040
Totals		<u>\$ 4,624,000</u>	<u>\$ 189,040</u>

TOWN OF MONTEZUMA
SCHEDULE OF CAPITAL ASSETS
December 31, 2014

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	\$ 103,690
Infrastructure	59,345
Buildings	1,048,190
Improvements other than buildings	149,931
Machinery, equipment, and vehicles	576,103
Total governmental activities	1,937,259
Electric:	
Buildings	54,050
Improvements other than buildings	138,300
Machinery, equipment, and vehicles	510,579
Total Electric	702,929
Wastewater:	
Infrastructure	4,283,465
Buildings	2,348,535
Machinery, equipment, and vehicles	16,447
Total Wastewater	6,648,447
Water:	
Buildings	206,592
Improvements other than buildings	104,114
Machinery, equipment, and vehicles	81,165
Total Water	391,871
Gas:	
Buildings	45,000
Improvements other than buildings	506,781
Machinery, equipment, and vehicles	117,944
Total Gas	669,725
Total capital assets	\$ 10,350,231

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF MONTEZUMA, PARKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Montezuma'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 year ended 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 year ended December 31, 2014.

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

Report on Internal Control over Compliance


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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2014-003 to be 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

October 20, 2016

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF MONTEZUMA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 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	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Flood Buyout	Indiana Housing and Community Development Authority	14.228	DR1HB-011-001	\$ -	\$ 308,654
Total - CDBG - State-Administered CDBG Cluster				-	308,654
Total - Department of Housing and Urban Development				-	308,654
<u>Department of Homeland Security</u>					
Hazard Mitigation Grant Flood Buyout	Indiana Department of Homeland Security	97.039	C44P-1-005A	-	396,203
Total - Department of Homeland Security				-	396,203
Total federal awards expended				\$ -	\$ 704,857

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF MONTEZUMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

TOWN OF MONTEZUMA
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:

CFDA Number	Name of Federal Program or Cluster
97.039	Hazard Mitigation Grant

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 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

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

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to financial closing and reporting, receipts and disbursements. The Clerk-Treasurer input the Town's financial information into the Gateway system. No evidence of a control, such as an oversight, review or approval process by the Town, was identified.

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

The Utility Clerk performed all of the revenue postings for the month. At month end, the Clerk-Treasurer compared the revenue posting reports to the bank statements. There was no audit evidence presented to verify that this procedure was completed.

The payroll process was alternately performed by either the Utility Clerk or Deputy Clerk every other month. After the payroll was processed, the Clerk-Treasurer would compare the YTD Accumulations Detail report to the Payfile Totals Detail report to verify they agreed. The Clerk-Treasurer ran a tape of the manual checks net totals to compare the net amount on the Payfile Totals Detail report. There was no audit evidence presented to verify that this procedure was completed.

2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal control over financial reporting required the Town to monitor and assess the quality of the system of internal control.

Criteria

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)

Cause

An evaluation of the Town's system of internal control had not been conducted. Management had not conducted a risk assessment related to the Town's financial reporting and transactions.

Effect

The failure to establish controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, material misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

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 Clerk-Treasurer printed reports from the Keystone software program and used them to input the Town's financial data into the Gateway system. No evidence of a control, such as oversight, review, or approval process was identified.

The SEFA had the following errors: The Water and Waste Disposal Systems grant for \$72,899 was included on the schedule but did not have any activity for the audit period. The Hazard Mitigation Grant and the Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (CDBG) were combined. The Hazard Mitigation Grant was listed as \$704,857, but should have been \$396,203. The remaining \$308,654 should have been shown as CDBG. The Hazard Mitigation Grant amount of \$396,203 was listed as a pass-through to subrecipients but there were no subrecipients. Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

Criteria

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. . . ."

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.

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

- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2014-003 - INTERNAL CONTROLS OVER HAZARD MITIGATION GRANT

Federal Agency: Department of Homeland Security

Federal Program: Hazard Mitigation Grant

CFDA Number: 97.039

Federal Award Number and Year (or Other Identifying Number): C44P-1-005A

Pass-Through Entity: Indiana Department of Homeland Security

Condition

An effective internal control system, which would have included segregation of duties, was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, Cash Management, Matching, Period of Availability, Real Property Acquisition and Relocation Assistance, and Reporting.

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

Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Disbursements totaling \$635,316 were made by wire transfer to a separate bank account, which was under the control of the Town's attorney. The wire transfers were included on the claims docket which was approved by the Town Council, but there was no documentation of the detail of the payments made or what was purchased from the account at the time of the approval.

Cash Management

The drawdown requests were prepared independently by the Grant Administrator. No evidence of a control, such as an oversight, review or approval process by the Town, was identified.

Matching

The drawdown requests included the allocation of expenditures between the Hazard Mitigation Grant program and the Community Development Block Grant/State's Program and Non-Entitlement Grants in Hawaii (CDBG) program; however, no evidence of a control, such as an oversight, review or approval process, was identified.

Period of Availability

The Grant Administrator filed an extension for the period of availability, but neither the Grant Administrator nor the Town had evidence of approval of the extension. The awarding agency had to be contacted during the audit to verify that the extension was approved.

Real Property Acquisition and Relocation Assistance

No controls were identified over real property acquisition and relocation assistance. There was no process in place to ensure that all the properties were included in the acquisition process. This process included the appraisal, the initial offer for purchase and the closing with settlement statement.

Reporting

The quarterly progress and performance reports were prepared independently by the Grant Administrator. No evidence of a control, such as an oversight, review or approval process by the Town, was identified.

Context

The Town hired a Grant Administrator to facilitate compliance with the grant. The Town Attorney also had a high level of participation in the property acquisition portion of the grant. There was no evidence of internal controls over compliance with grant requirements or the grant agreement. This was pervasive throughout the entire grant period and across all compliance requirements.

Criteria

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. . . ."

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

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

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 program.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and compliance requirements listed above.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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AUDITEE-PREPARED DOCUMENT

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

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Cathy L. Morgan
Contact Phone Number: 765-245-2759

I concur with the finding. Although monthly reports, reconciliations, revenues and expenditures are reviewed by me I realize additional steps can be taken to ensure that there is audit evidence available.

Corrective Action Plan: A checklist spreadsheet will be developed to allow for me to check off and sign that I have reviewed and approved all weekly and month-end reports and balances.

In addition, it will be documented in the minutes of the Town Council meetings that each council receives a copy of the Annual Financial Report once completed each year.

FINDING 2014-002

Contact Person Responsible for Corrective Action: Cathy L. Morgan
Contact Phone Number: 765-245-2590

I concur with the finding.

Corrective Action Plan: Proper controls to be implemented when preparing the SEFA to ensure accurate reporting of Federal Funding. In addition, the report will be reviewed by council members before being submitted.

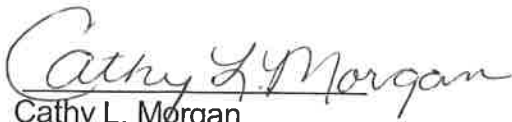
Finding 2014-003


Contact Person Responsible for Corrective Action: Cathy L. Morgan
Contact Phone Number: 765-245-2590

I concur with the finding.

Corrective Action Plan: Mitigation Grant closed out the end of September 2016. I will attempt to implement controls for future grants.

Anticipated Completion Date: Effective immediately


Cathy L. Morgan
Clerk Treasurer/Utility Office Manager
Town of Montezuma


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/>.