

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MIDDLEBURY  
ELKHART COUNTY, INDIANA

January 1, 2013 to December 31, 2013



**FILED**  
03/06/2017



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy A. Hutchison	01-01-12 to 12-31-19
President of the Town Council	Gary L. O'Dell	01-01-13 to 12-31-17



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MIDDLEBURY, ELKHART COUNTY, INDIANA

**Report on the Financial Statement**

We have audited the accompanying financial statement of the Town of Middlebury (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, 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, 2013.

***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, 2013, 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, 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 January 19, 2017, 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

January 19, 2017



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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 MIDDLEBURY, ELKHART 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 Middlebury (Town), which comprises the financial position and results of operations for the year ended December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated January 19, 2017, 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 2013-001 and 2013-002 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 2013-001 and 2013-002.

**Town of Middlebury'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

January 19, 2017

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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 MIDDLEBURY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Year Ended December 31, 2013

Fund	Cash and Investments 01-01-13	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 727,749	\$ 1,317,931	\$ 1,276,487	\$ 769,193
MVH Street	483,291	538,134	460,108	561,317
Local Road and Street	46,133	36,191	11,920	70,404
Park and Recreation	148,774	158,739	152,221	155,292
Cemetery	54,303	21,807	22,827	53,283
Debt Service	34,277	187,662	191,672	30,267
Cumulative Capital Improvement	88,259	12,530	-	100,789
CEDIT	671,218	131,338	43,037	759,519
Cumulative Capital Development	448,104	94,168	19,771	522,501
General Improvement	129,146	464	-	129,610
Industrial Development	119,049	116	-	119,165
MVH Sidewalk Improvement N-R	-	28,335	-	28,335
Law Enforcement Continuing Education	36,277	58,658	23,562	71,373
Rainy Day	76,109	339,278	-	415,387
MVH N-R Wheel Tax	101,262	70,177	19,418	152,021
Redevelopment Commission TIF	58,917	34,423	140	93,200
Riverboat Non-Reverting	146,853	22,787	-	169,640
Major Moves Construction N-R	549,651	6,730	-	556,381
Park Non-Reverting Operating	32,914	11,049	9,941	34,022
Park Non-Reverting Capital	46,138	118,084	113,030	51,192
Cemetery Endowment	62,705	759	-	63,464
Payroll	258	1,236,366	1,236,373	251
Levy Excess	12,888	-	12,888	-
Grants From Other Governments	49	-	49	-
Sewer Operating Cash	162,022	1,241,671	1,269,548	134,145
Sewer Bond and Interest Cash	104,645	972,084	1,044,904	31,825
Sewer Depreciation Cash	142,289	1,211,574	485,331	868,532
TIF Meijer Bond and Interest Cash	120,418	205,169	325,587	-
TIF Jayco Bond and Interest Cash	383,667	93,244	457,377	19,534
Sewer Reserve Cash	460,519	3,980	413,618	50,881
Sewer Construction - Bank of N.Y.	-	4,702,891	4,702,891	-
Water Construction - Bank of N.Y.	-	108,709	108,709	-
Water Operating Cash	113,003	1,122,357	1,134,760	100,600
Water Bond and Interest Cash	215,476	426,606	426,483	215,599
Water Depreciation Cash	1,281,133	283,264	351,798	1,212,599
Water SRF Debt Service Reserve Cash	432,646	-	-	432,646
Totals	<u>\$ 7,490,142</u>	<u>\$ 14,797,275</u>	<u>\$ 14,314,450</u>	<u>\$ 7,972,967</u>

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

TOWN OF MIDDLEBURY  
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.* Amounts received from 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.* 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, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Intergovernmental receipts.* Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental 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.* Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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.* Amounts received from charges for current services.

*Other receipts.* 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.* Amounts disbursed 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.* Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

*Other services and charges.* Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

*Debt service - principal and interest.* Amounts disbursed for 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.* Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

*Utility operating expenses.* Amounts disbursed for operating the utilities.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Other disbursements.* Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 MIDDLEBURY  
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, 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**

*401(a) Retirement Plan*

*Plan Description*

The Town has a 401(a) Retirement Plan which is a defined contribution pension plan administered by Nationwide Life Insurance Company. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and Nationwide Life Insurance Company. The Company issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Nationwide Retirement Solutions  
One Nationwide Plaza Dept. 0888  
Columbus, OH 43271-0888  
Ph. (800) 321-7467

*Funding Policy*

The contribution requirements of the plan members for the 401(a) Retirement Plan are established by Resolution 97-19.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 7. Subsequent Events**

On September 2, 2014, the Town awarded a contract to C&E Excavating for a Water Main Extension project in the amount of \$364,028. The Town also awarded a contract to H&G Underground Utilities for the Highland Hills Distribution Improvements project in the amount of \$243,000. On December 2, 2014, the Town issued General Obligation Bonds in the amount of \$645,000, for the purpose of various Town improvement projects.

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

	General	MVH Street	Local Road and Street	Park and Recreation	Cemetery	Debt Service	Cumulative Capital Improvement
Cash and investments - beginning	\$ 727,749	\$ 483,291	\$ 46,133	\$ 148,774	\$ 54,303	\$ 34,277	\$ 88,259
Receipts:							
Taxes	798,657	399,868	-	151,056	5,395	179,326	-
Licenses and permits	24,583	-	-	-	-	-	-
Intergovernmental receipts	457,594	119,957	33,755	7,021	250	8,336	9,181
Charges for services	8,294	-	-	-	15,690	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	28,803	18,309	2,436	662	472	-	3,349
Total receipts	<u>1,317,931</u>	<u>538,134</u>	<u>36,191</u>	<u>158,739</u>	<u>21,807</u>	<u>187,662</u>	<u>12,530</u>
Disbursements:							
Personal services	696,639	309,446	-	96,063	10,397	-	-
Supplies	50,552	48,533	11,920	15,813	2,229	-	-
Other services and charges	476,165	60,196	-	23,998	-	-	-
Debt service - principal and interest	-	-	-	-	-	191,672	-
Capital outlay	53,131	14,423	-	11,348	10,201	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	27,510	-	4,999	-	-	-
Total disbursements	<u>1,276,487</u>	<u>460,108</u>	<u>11,920</u>	<u>152,221</u>	<u>22,827</u>	<u>191,672</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>41,444</u>	<u>78,026</u>	<u>24,271</u>	<u>6,518</u>	<u>(1,020)</u>	<u>(4,010)</u>	<u>12,530</u>
Cash and investments - ending	<u>\$ 769,193</u>	<u>\$ 561,317</u>	<u>\$ 70,404</u>	<u>\$ 155,292</u>	<u>\$ 53,283</u>	<u>\$ 30,267</u>	<u>\$ 100,789</u>

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

	CEDIT	Cumulative Capital Development	General Improvement	Industrial Development	MVH Sidewalk Improvement N-R	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 671,218	\$ 448,104	\$ 129,146	\$ 119,049	\$ -	\$ 36,277
Receipts:						
Taxes	-	89,986	-	-	-	-
Licenses and permits	-	-	-	-	-	2,760
Intergovernmental receipts	131,162	4,182	-	-	-	-
Charges for services	-	-	-	-	-	55,299
Utility fees	-	-	-	-	-	-
Other receipts	176	-	464	116	28,335	599
Total receipts	<u>131,338</u>	<u>94,168</u>	<u>464</u>	<u>116</u>	<u>28,335</u>	<u>58,658</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,100	-	-	-	-	15
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	40,937	19,771	-	-	-	23,547
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>43,037</u>	<u>19,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,562</u>
Excess (deficiency) of receipts over disbursements	<u>88,301</u>	<u>74,397</u>	<u>464</u>	<u>116</u>	<u>28,335</u>	<u>35,096</u>
Cash and investments - ending	<u>\$ 759,519</u>	<u>\$ 522,501</u>	<u>\$ 129,610</u>	<u>\$ 119,165</u>	<u>\$ 28,335</u>	<u>\$ 71,373</u>

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

	Rainy Day	MVH N-R Wheel Tax	Redevelopment Commission TIF	Riverboat Non-Reverting	Major Moves Construction N-R	Park Non-Reverting Operating
Cash and investments - beginning	\$ 76,109	\$ 101,262	\$ 58,917	\$ 146,853	\$ 549,651	\$ 32,914
Receipts:						
Taxes	-	-	34,423	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	69,916	-	20,260	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	339,278	261	-	2,527	6,730	11,049
Total receipts	<u>339,278</u>	<u>70,177</u>	<u>34,423</u>	<u>22,787</u>	<u>6,730</u>	<u>11,049</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	8,364
Other services and charges	-	19,418	140	-	-	1,476
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	101
Total disbursements	<u>-</u>	<u>19,418</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>9,941</u>
Excess (deficiency) of receipts over disbursements	<u>339,278</u>	<u>50,759</u>	<u>34,283</u>	<u>22,787</u>	<u>6,730</u>	<u>1,108</u>
Cash and investments - ending	<u>\$ 415,387</u>	<u>\$ 152,021</u>	<u>\$ 93,200</u>	<u>\$ 169,640</u>	<u>\$ 556,381</u>	<u>\$ 34,022</u>

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

	Park Non-Reverting Capital	Cemetery Endowment	Payroll	Levy Excess	Grants From Other Governments	Sewer Operating Cash
Cash and investments - beginning	\$ 46,138	\$ 62,705	\$ 258	\$ 12,888	\$ 49	\$ 162,022
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	68,830	-	-	-	-	-
Charges for services	-	345	-	-	-	-
Utility fees	-	-	-	-	-	1,233,043
Other receipts	49,254	414	1,236,366	-	-	8,628
Total receipts	<u>118,084</u>	<u>759</u>	<u>1,236,366</u>	<u>-</u>	<u>-</u>	<u>1,241,671</u>
Disbursements:						
Personal services	-	-	1,054,420	-	-	190,600
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	17,426
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	113,030	-	-	-	-	28,150
Utility operating expenses	-	-	-	-	-	423,839
Other disbursements	-	-	181,953	12,888	49	609,533
Total disbursements	<u>113,030</u>	<u>-</u>	<u>1,236,373</u>	<u>12,888</u>	<u>49</u>	<u>1,269,548</u>
Excess (deficiency) of receipts over disbursements	<u>5,054</u>	<u>759</u>	<u>(7)</u>	<u>(12,888)</u>	<u>(49)</u>	<u>(27,877)</u>
Cash and investments - ending	<u>\$ 51,192</u>	<u>\$ 63,464</u>	<u>\$ 251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 134,145</u>

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

	Sewer Bond and Interest Cash	Sewer Depreciation Cash	TIF Meijer Bond and Interest Cash	TIF Jayco Bond and Interest Cash	Sewer Reserve Cash	Sewer Construction - Bank of N.Y.
Cash and investments - beginning	\$ 104,645	\$ 142,289	\$ 120,418	\$ 383,667	\$ 460,519	\$ -
Receipts:						
Taxes	-	-	205,169	93,244	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	33,415	-	-	-	-
Other receipts	972,084	1,178,159	-	-	3,980	4,702,891
Total receipts	<u>972,084</u>	<u>1,211,574</u>	<u>205,169</u>	<u>93,244</u>	<u>3,980</u>	<u>4,702,891</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	1,043,675	-	-	89,658	-	-
Capital outlay	-	-	-	-	-	4,702,891
Utility operating expenses	-	4,165	-	-	-	-
Other disbursements	1,229	481,166	325,587	367,719	413,618	-
Total disbursements	<u>1,044,904</u>	<u>485,331</u>	<u>325,587</u>	<u>457,377</u>	<u>413,618</u>	<u>4,702,891</u>
Excess (deficiency) of receipts over disbursements	<u>(72,820)</u>	<u>726,243</u>	<u>(120,418)</u>	<u>(364,133)</u>	<u>(409,638)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 31,825</u>	<u>\$ 868,532</u>	<u>\$ -</u>	<u>\$ 19,534</u>	<u>\$ 50,881</u>	<u>\$ -</u>

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

	Water Construction - Bank of N.Y.	Water Operating Cash	Water Bond and Interest Cash	Water Depreciation Cash	Water SRF Debt Service Reserve Cash	Totals
Cash and investments - beginning	\$ -	\$ 113,003	\$ 215,476	\$ 1,281,133	\$ 432,646	\$ 7,490,142
Receipts:						
Taxes	-	-	-	-	-	1,957,124
Licenses and permits	-	-	-	-	-	27,343
Intergovernmental receipts	-	-	-	-	-	930,444
Charges for services	-	-	-	-	-	79,628
Utility fees	-	1,111,562	-	25,805	-	2,403,825
Other receipts	108,709	10,795	426,606	257,459	-	9,398,911
Total receipts	108,709	1,122,357	426,606	283,264	-	14,797,275
Disbursements:						
Personal services	-	177,690	-	-	-	2,535,255
Supplies	-	-	-	-	-	137,411
Other services and charges	-	21,353	-	-	-	622,287
Debt service - principal and interest	-	-	426,483	-	-	1,751,488
Capital outlay	108,709	51,629	-	168,513	-	5,346,280
Utility operating expenses	-	273,173	-	-	-	701,177
Other disbursements	-	610,915	-	183,285	-	3,220,552
Total disbursements	108,709	1,134,760	426,483	351,798	-	14,314,450
Excess (deficiency) of receipts over disbursements	-	(12,403)	123	(68,534)	-	482,825
Cash and investments - ending	\$ -	\$ 100,600	\$ 215,599	\$ 1,212,599	\$ 432,646	\$ 7,972,967

TOWN OF MIDDLEBURY  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 6,419	\$ 89,336
Water	11,625	48,204
Governmental activities	23,810	-
Totals	<u>\$ 41,854</u>	<u>\$ 137,540</u>

TOWN OF MIDDLEBURY  
 SCHEDULE OF LEASES AND DEBT  
 December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Various Town improvements	\$ 275,000	\$ 189,570
Wastewater:			
Revenue bonds	Improvements to WWTP and Lift Stations	13,565,000	686,823
Water:			
Revenue bonds	Build new Water treatment plant	4,466,623	430,315
Totals		<u>\$ 18,306,623</u>	<u>\$ 1,306,708</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://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 MIDDLEBURY, ELKHART COUNTY, INDIANA

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

We have audited the Town of Middlebury'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, 2013. 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, 2013.

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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

January 19, 2017

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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.

TOWN OF MIDDLEBURY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2013

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
<u>Department of Agriculture</u>				
Urban and Community Forestry Program	Indiana Department of Natural Resources	10.675	EP-12-TIUF-10	\$ 3,153
Total - Department of Agriculture				<u>3,153</u>
<u>Department of Transportation</u>				
Highway Planning and Construction Cluster Highway Planning and Construction Middlebury Greenway Phase 2	Indiana Department of Transportation	20.205	A249-8-320801	<u>68,830</u>
Total - Highway Planning and Construction Cluster				<u>68,830</u>
Total - Department of Transportation				<u>68,830</u>
<u>Environmental Protection Agency</u>				
Capitalization Grants for Clean Water State Revolving Funds WWTP Improvement	Indiana Finance Authority	66.458	WW12200802	<u>1,566,996</u>
Capitalization Grants for Drinking Water State Revolving Fund Water Department SRF	Indiana Finance Authority	66.468	DW051020	<u>44,494</u>
Total - Environmental Protection Agency				<u>1,611,490</u>
Total federal awards expended				<u>\$ 1,683,473</u>

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

TOWN OF MIDDLEBURY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards (SEFA) 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.

TOWN OF MIDDLEBURY  
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?	no
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?	no

Identification of Major Program:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

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 2013-001 - FINANCIAL TRANSACTIONS AND REPORTING**

*Condition*

There were several deficiencies in the internal control system of the Town related to the financial transactions and reporting. The following deficiencies constituted material weaknesses:

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to financial transactions and reporting related to receipts, cash and investments, and financial close and reporting. There were not adequate controls in place to reduce the risks of errors in financial reporting.

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

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.

The Town is required to report all financial information in the Annual Financial Report. This information is used to compile the financial statement. The Town's financial records and subsequently the Town's financial statement (Gateway Report) contained the following deficiencies:

The Town did not include the Sewer Construction - Bank of N.Y. fund and Water Construction - Bank of N.Y. fund bank accounts activities, which resulted in receipts and disbursements being understated, in the same amounts, by \$4,702,891 and \$108,709; respectively.

*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*

Management of the Town had not established a proper system of internal control.

*Effect*

The failure to establish controls 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.

**FINDING 2013-002 - INTERNAL CONTROL OVER PAYROLL PROCESSING**

*Condition*

Deficiencies were noted in the internal control system of the Town related to payroll processing. The following deficiencies constituted material weaknesses.

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

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to payroll and related liabilities. The Clerk-Treasurer primarily handled the Town's payroll processing which included: preparing the payroll claims, issuing the payroll checks, preparing the payroll earnings and deductions reports, and preparing the W-2s. The W-2s issued for 2013 contained overstated "Wages, tips, other compensation amounts," in box 1, for all full-time Town employees. In addition, employee timesheets were not consistently reviewed and approved.
2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal control over payroll processing 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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

*Cause*

Management of the Town had not established a proper system of internal control.

*Effect*

The failure to establish controls 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.

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

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

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



418 North Main Street  
Middlebury, Indiana 46540  
Phone: 574-825-1499  
Fax: 574-825-1485  
www.middleburyin.com

## CORRECTIVE ACTION PLAN

### **FINDING 2013 - 001**

Contact Person Responsible for Corrective Action: Peggy A Hutchison  
Contact Phone Number: 574-825-2166

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: We changed to a new financial software program (Keystone) in August of 2013. In January of 2014, Umbaugh helped us create a new fund just for the purpose of reporting the construction advances for our Wastewater Treatment Plant upgrades. Once that fund was created, we have reported the construction advances ever since.

A new fund for the Water Plant upgrades should have been created at the same time, but was not. There have not been any construction advances made for the Water Plant upgrade since 2013.

Anticipated Completion Date: This has already been completed.

### **FINDING 2013 - 002**

Contact Person Responsible for Corrective Action: Peggy A Hutchison  
Contact Phone Number: 574-825-2166

Views of Responsible Official: We concur with the findings.

Description of Corrective Action Plan: As stated above, we changed financial software and the old system and new system did not conform to one another. Therefore, any W2 which showed any Section 125 funds did not compute correctly.

We will contact the IRS and see what action needs to be taken. Since 2013, there have not been any miscalculations.

Anticipated Completion Date: We will contact the IRS after the first of the year of 2017.

Peggy A. Hutchison  
Clerk-Treasurer  
December 27, 2016

#### 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/>.