

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF FORTVILLE
HANCOCK COUNTY, INDIANA

January 1, 2013 to December 31, 2013



FILED
08/28/2018

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-15
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-24
Schedule of Payables and Receivables	25
Schedule of Leases and Debt	26
Schedule of Capital Assets	27
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance	30-31
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	34
Notes to Schedule of Expenditures of Federal Awards	35
Schedule of Findings and Questioned Costs	36-41
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	44-47
Corrective Action Plan	48-49
Other Reports	50

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcie Stafford	01-01-12 to 12-31-15
	Sherry Durbin	01-01-16 to 10-31-16
	(Vacant)	11-01-16 to 11-07-16
	Melissa Glazier	11-08-16 to 12-31-19
President of the Town Council	William Hiday	01-01-13 to 12-31-17
	Michael Frishkorn	01-01-18 to 12-31-18
Superintendent of Utilities	Joe Renner	01-01-13 to 12-31-18
Town Manager	Joe Renner	01-01-13 to 12-31-18



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FORTVILLE, HANCOCK COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Fortville (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 from 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 to 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.

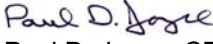
Other Information

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, 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 August 7, 2018, 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 solely 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 effectiveness of the Town's 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

August 7, 2018



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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 FORTVILLE, HANCOCK 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 Fortville (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 August 7, 2018, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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 from 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 an instance 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 2013-002.

Town of Fortville'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

August 7, 2018

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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 FORTVILLE
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 FUND	\$ 5,886	\$ 1,217,837	\$ 1,201,760	\$ 21,963
MOTOR VEHICLE HIGHWAY	154,989	359,371	336,363	177,997
LOCAL ROAD & STREET	270,422	40,630	159,892	151,160
POLICE CONTINUING EDUCATI	11,494	10,502	8,885	13,111
PARK FUND OPERATING	121,393	87,753	179,293	29,853
RAINY DAY FUND	111,893	26,100	26,100	111,893
POLICE/K-9 DONATION	174	35	209	-
POLICE DRUG FORFEITURE	5,361	3,552	8,863	50
TIF BOND & INTEREST	13,030	71,112	80,028	4,114
CUM CAP IMP - CIG TAX	104,737	17,899	86,000	36,636
CUM CAP DEVELOPMENT	43,317	56,557	83,000	16,874
PARK DONATION/BOWER	28,693	-	28,693	-
POLICE OVB-GENERAL FUND	-	43,882	18,927	24,955
RIVERBOAT SHARING	95,274	23,275	-	118,549
LOCAL OPTION INCOME TAX	201,979	131,230	303,204	30,005
CAMPBELL ESCROW SRF DW	6,018	3	-	6,021
RDC OPERATING -TIF	328,119	129,712	15,713	442,118
HEALTH INSURANCE REFUND	46,665	6,559	48,165	5,059
PARK/ESTATE/POSTRACK	54,109	-	1,819	52,290
GIFT FUND-DONATIONS	-	2,430	2,428	2
POLICE-SHOP WITH A COP	-	6,446	6,371	75
POLICE-INSURANCE PAY/REV	-	4,243	3,964	279
POLICE SPECIFIED DONATION	7,582	899	-	8,481
OPERATION PULL OVER	-	9,284	9,284	-
OCRA GRANT-KENNA-WWTP	-	309,371	309,371	-
BOND-GENERAL	4,981	70,601	75,549	33
BOND-GENERAL CONSTRUCTION	1,394	-	1,394	-
GO BOND 2013	-	534,414	-	534,414
MK BETTS ESCROW SRF WW	117,080	52	117,132	-
ONLINE UTILITY HOLDING	50	227,613	222,646	5,017
PAYROLL	7,121	1,191,184	1,203,256	(4,951)
STORM SEWER OPERATING	360,305	281,589	38,222	603,672
SEWAGE OPERATING	290,629	1,092,592	1,099,047	284,174
SEWAGE CUSTOMER DEPOSITS	55,562	27,100	16,110	66,552
BONY SRF WWTP 2012	-	868,742	868,742	-
SEWER BOND & INTEREST	54,588	-	43,542	11,046
SEWER DSR - BNY	489,406	7,123	-	496,529
SEWER BOND & INTEREST	245,410	556,690	502,963	299,137
WATER OPERATING	335,465	784,075	644,592	474,948
WATER CUSTOMER DEPOSITS	19,251	9,684	5,142	23,793
BONY SRF DW 2009	-	34,860	34,860	-
WATER B&I	123,250	10,000	133,250	-
WATER-BOND & INTEREST BNY	91,530	163,592	65,340	189,782
WATER-DSR BNY	157,339	592	-	157,931
Totals	<u>\$ 3,964,496</u>	<u>\$ 8,419,185</u>	<u>\$ 7,990,119</u>	<u>\$ 4,393,562</u>

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

TOWN OF FORTVILLE
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 non-businesses 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 FORTVILLE
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.

Fines and forfeits. Amounts received 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. 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.

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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 lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 FORTVILLE
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 Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF FORTVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

B. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy

The contribution requirements of plan members and the Town are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficit

The financial statement contains one fund with a deficit in cash. This was a result of a timing difference of paying the employee's share of insurance prior to the withholding.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 FORTVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	POLICE CONTINUING EDUCATI	PARK FUND OPERATING	RAINY DAY FUND	POLICE/K-9 DONATION
Cash and investments - beginning	\$ 5,886	\$ 154,989	\$ 270,422	\$ 11,494	\$ 121,393	\$ 111,893	\$ 174
Receipts:							
Taxes	649,454	193,332	-	-	55,774	-	-
Licenses and permits	14,482	-	-	3,330	-	-	-
Intergovernmental receipts	458,374	128,808	40,630	-	6,086	-	-
Charges for services	78,800	1,273	-	380	19,855	-	-
Fines and forfeits	2,501	-	-	6,792	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	14,226	35,958	-	-	6,038	26,100	35
Total receipts	1,217,837	359,371	40,630	10,502	87,753	26,100	35
Disbursements:							
Personal services	658,064	198,983	-	-	66,353	-	-
Supplies	83,651	47,252	-	-	13,612	-	60
Other services and charges	436,579	38,996	57,480	-	55,476	-	149
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,072	50,927	102,412	-	37,745	26,100	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	22,394	205	-	8,885	6,107	-	-
Total disbursements	1,201,760	336,363	159,892	8,885	179,293	26,100	209
Excess (deficiency) of receipts over disbursements	16,077	23,008	(119,262)	1,617	(91,540)	-	(174)
Cash and investments - ending	\$ 21,963	\$ 177,997	\$ 151,160	\$ 13,111	\$ 29,853	\$ 111,893	\$ -

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

	POLICE DRUG FORFEITURE	TIF BOND & INTEREST	CUM CAP IMP - CIG TAX	CUM CAP DEVELOPMENT	PARK DONATION/BOWER	POLICE OVV-GENERAL FUND	RIVERBOAT SHARING
Cash and investments - beginning	\$ 5,361	\$ 13,030	\$ 104,737	\$ 43,317	\$ 28,693	\$ -	\$ 95,274
Receipts:							
Taxes	-	64,116	-	13,576	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	6,996	6,899	1,481	-	-	23,275
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	43,882	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,552	-	11,000	41,500	-	-	-
Total receipts	3,552	71,112	17,899	56,557	-	43,882	23,275
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	1,453	-	-	-	-	-	-
Debt service - principal and interest	-	80,028	-	-	-	-	-
Capital outlay	7,173	-	86,000	83,000	28,693	18,927	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	237	-	-	-	-	-	-
Total disbursements	8,863	80,028	86,000	83,000	28,693	18,927	-
Excess (deficiency) of receipts over disbursements	(5,311)	(8,916)	(68,101)	(26,443)	(28,693)	24,955	23,275
Cash and investments - ending	\$ 50	\$ 4,114	\$ 36,636	\$ 16,874	\$ -	\$ 24,955	\$ 118,549

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

	LOCAL OPTION INCOME TAX	CAMPBELL ESCROW SRF DW	RDC OPERATING -TIF	HEALTH INSURANCE REFUND	PARK/ESTATE/POSTRACK	GIFT FUND-DONATIONS	POLICE-SHOP WITH A COP
Cash and investments - beginning	\$ 201,979	\$ 6,018	\$ 328,119	\$ 46,665	\$ 54,109	\$ -	\$ -
Receipts:							
Taxes	-	-	129,712	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	131,230	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	3	-	6,559	-	2,430	6,446
Total receipts	131,230	3	129,712	6,559	-	2,430	6,446
Disbursements:							
Personal services	59,187	-	-	48,165	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	190,000	-	15,713	-	-	2,428	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	54,017	-	-	-	1,819	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	6,371
Total disbursements	303,204	-	15,713	48,165	1,819	2,428	6,371
Excess (deficiency) of receipts over disbursements	(171,974)	3	113,999	(41,606)	(1,819)	2	75
Cash and investments - ending	\$ 30,005	\$ 6,021	\$ 442,118	\$ 5,059	\$ 52,290	\$ 2	\$ 75

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

	POLICE-INSURANCE PAY/REV	POLICE SPECIFIED DONATION	OPERATION PULL OVER	OCRA GRANT-KENNA-WWTP	BOND-GENERAL	BOND-GENERAL CONSTRUCTION
Cash and investments - beginning	\$ -	\$ 7,582	\$ -	\$ -	\$ 4,981	\$ 1,394
Receipts:						
Taxes	-	-	-	-	62,398	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	6,809	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	4,243	899	9,284	309,371	1,394	-
Total receipts	4,243	899	9,284	309,371	70,601	-
Disbursements:						
Personal services	-	-	9,284	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	10,000	-	-
Debt service - principal and interest	-	-	-	-	75,549	-
Capital outlay	-	-	-	207,386	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	3,964	-	-	91,985	-	1,394
Total disbursements	3,964	-	9,284	309,371	75,549	1,394
Excess (deficiency) of receipts over disbursements	279	899	-	-	(4,948)	(1,394)
Cash and investments - ending	\$ 279	\$ 8,481	\$ -	\$ -	\$ 33	\$ -

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

	GO BOND 2013	MK BETTS ESCROW SRF WW	ONLINE UTILITY HOLDING	PAYROLL	STORM SEWER OPERATING	SEWAGE OPERATING
Cash and investments - beginning	\$ -	\$ 117,080	\$ 50	\$ 7,121	\$ 360,305	\$ 290,629
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	5,510	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	281,589	1,091,683
Other receipts	534,414	52	227,613	1,185,674	-	909
Total receipts	534,414	52	227,613	1,191,184	281,589	1,092,592
Disbursements:						
Personal services	-	-	-	-	17,343	206,199
Supplies	-	-	-	-	-	-
Other services and charges	-	-	544	-	-	8,288
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	117,132	-	-	-	-
Utility operating expenses	-	-	-	-	20,879	361,077
Other disbursements	-	-	222,102	1,203,256	-	523,483
Total disbursements	-	117,132	222,646	1,203,256	38,222	1,099,047
Excess (deficiency) of receipts over disbursements	534,414	(117,080)	4,967	(12,072)	243,367	(6,455)
Cash and investments - ending	\$ 534,414	\$ -	\$ 5,017	\$ (4,951)	\$ 603,672	\$ 284,174

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

	SEWAGE CUSTOMER DEPOSITS	BONY SRF WWTP 2012	SEWER BOND & INTEREST	SEWER DSR - BNY	SEWER BOND & INTEREST	WATER OPERATING
Cash and investments - beginning	\$ 55,562	\$ -	\$ 54,588	\$ 489,406	\$ 245,410	\$ 335,465
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	27,100	-	-	-	-	743,398
Other receipts	-	868,742	-	7,123	556,690	40,677
Total receipts	27,100	868,742	-	7,123	556,690	784,075
Disbursements:						
Personal services	-	-	-	-	-	200,472
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	8,288
Debt service - principal and interest	-	-	-	-	502,963	-
Capital outlay	-	868,742	-	-	-	-
Utility operating expenses	16,110	-	-	-	-	271,618
Other disbursements	-	-	43,542	-	-	164,214
Total disbursements	16,110	868,742	43,542	-	502,963	644,592
Excess (deficiency) of receipts over disbursements	10,990	-	(43,542)	7,123	53,727	139,483
Cash and investments - ending	\$ 66,552	\$ -	\$ 11,046	\$ 496,529	\$ 299,137	\$ 474,948

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

	WATER CUSTOMER DEPOSITS	BONY SRF DW 2009	WATER B&I	WATER-BOND & INTEREST BNY	WATER-DSR BNY	Totals
Cash and investments - beginning	\$ 19,251	\$ -	\$ 123,250	\$ 91,530	\$ 157,339	\$ 3,964,496
Receipts:						
Taxes	-	-	-	-	-	1,168,362
Licenses and permits	-	-	-	-	-	23,322
Intergovernmental receipts	-	-	-	-	-	810,588
Charges for services	-	-	-	-	-	100,308
Fines and forfeits	-	-	-	-	-	53,175
Utility fees	9,684	-	10,000	-	-	2,163,454
Other receipts	-	34,860	-	163,592	592	4,099,976
Total receipts	9,684	34,860	10,000	163,592	592	8,419,185
Disbursements:						
Personal services	-	-	-	-	-	1,464,050
Supplies	-	-	-	-	-	144,575
Other services and charges	-	-	-	-	-	825,394
Debt service - principal and interest	-	-	133,250	65,340	-	857,130
Capital outlay	-	34,860	-	-	-	1,726,005
Utility operating expenses	5,142	-	-	-	-	674,826
Other disbursements	-	-	-	-	-	2,298,139
Total disbursements	5,142	34,860	133,250	65,340	-	7,990,119
Excess (deficiency) of receipts over disbursements	4,542	-	(123,250)	98,252	592	429,066
Cash and investments - ending	\$ 23,793	\$ -	\$ -	\$ 189,782	\$ 157,931	\$ 4,393,562

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 4,775	\$ 21,307
Water	3,704	2,570
Storm Water	331	8,565
Governmental activities	30,704	-
Totals	\$ 39,514	\$ 32,442

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
ALLY	2012 CHEVY TRUCK	\$ 7,336	7/11/2012	7/15/2016
GENERAL ELECTRIC CAPITAL CORP	2012 BOBCAT EXCAVATOR & TRAILER	12,555	4/16/2012	4/15/2016
PUBLIC FINANCE	FIVE 2010 POLICE VEHICLES	<u>25,770</u>	7/1/2010	7/1/2014
Total governmental activities		<u>45,661</u>		
Total of annual lease payments		<u>\$ 45,661</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	ROAD IMPROVEMENTS 2006	\$ 37,000	\$ 37,722
General obligation bonds	TIF - REDEVELOPMENT Series A 2005	165,000	37,088
General obligation bonds	TIF - REDEVELOPMENT Series B 2005	<u>281,000</u>	<u>45,285</u>
Total governmental activities		<u>483,000</u>	<u>120,095</u>
Wastewater:			
Revenue bonds	PLANT ADDITIONS AND IMPROVEMENTS REVENUE B 2000	526,000	85,220
Revenue bonds	SEWAGE WORKS IMPROVEMENTS 2005	799,758	99,011
Revenue bonds	SEWAGE WORKS IMPROVEMENTS REVENUE A 1999	660,000	106,613
Revenue bonds	SEWAGE WORKS IMPROVEMENTS REVENUE A 2004	1,274,210	151,941
Revenue bonds	SEWAGE WORKS REVENUE BONDS 2012	<u>2,360,000</u>	<u>63,930</u>
Total Wastewater		<u>5,619,968</u>	<u>506,715</u>
Water:			
Revenue bonds	WATER TOWER AT HIGH SCHOOL 2009	<u>2,020,000</u>	<u>156,298</u>
Totals		<u>\$ 8,122,968</u>	<u>\$ 783,108</u>

TOWN OF FORTVILLE
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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	\$ 871,910
Infrastructure	807,752
Buildings	136,673
Improvements other than buildings	235,693
Machinery, equipment, and vehicles	<u>1,142,146</u>
Total governmental activities	<u>3,194,174</u>
Storm Water:	
Total Storm Water	<u>-</u>
Wastewater:	
Infrastructure	4,415,452
Buildings	585,000
Machinery, equipment, and vehicles	1,087,139
Construction in progress	<u>2,275,930</u>
Total Wastewater	<u>8,363,521</u>
Water:	
Land	24,500
Infrastructure	2,308,518
Machinery, equipment, and vehicles	190,988
Construction in progress	<u>2,027,218</u>
Total Water	<u>4,551,224</u>
Total capital assets	<u>\$ 16,108,919</u>

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE TOWN OF FORTVILLE, HANCOCK COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Fortville'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 each of its major federal programs for the year ended December 31, 2013. The Town's major federal programs are 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 each of the Town's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2013.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance


Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each 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 a 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 2013-003 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

August 7, 2018

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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 FORTVILLE
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	Passed 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 CFF Wastewater Project	Indiana Office of Community and Rural Affairs	14.228	B12DC180001CF-11-104	\$ -	\$ 289,947
Total - CDBG - State-Administered CDBG Cluster				-	289,947
Total - Department of Housing and Urban Development				-	289,947
<u>Department of Transportation</u>					
Highway Planning and Construction Cluster Highway Planning and Construction Bonar Project	Indiana Department of Transportation	20.205	DES # 9803860	-	79,464
Total - Highway Planning and Construction Cluster				-	79,464
Total - Department of Transportation				-	79,464
<u>Environmental Protection Agency</u>					
Capitalization Grants for Clean Water State Revolving Funds 2012 Wastewater Project	Indiana Finance Authority	66.458	WW11023005	-	267,792
Total - Capitalization Grants for Clean Water State Revolving Funds				-	267,792
Total - Environmental Protection Agency				-	267,792
Total federal awards expended				\$ -	\$ 637,203

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

TOWN OF FORTVILLE
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, 2013. 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 FORTVILLE
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 deficiency identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	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 Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	CDBG - State-Administered CDBG Cluster 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

Subject: Financial Transactions and Reporting
Audit Finding: Material Weakness

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-1.

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

Condition

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

Lack of Segregation of Duties: The Town had not separated incompatible activities related to cash and investments, receipts, and financial close and reporting. The Clerk-Treasurer was the sole person responsible for all transactions related to cash and investments, receipts, and financial close and reporting during the audit period. There were no controls in place to monitor, review, or determine the accuracy of the financial close and reporting process.

Context

The lack of controls was a systemic issue, which occurred throughout the audit period.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management had not established a proper system of internal control over financial transactions and reporting.

Effect

The failure to establish controls could have enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town's management establish a system of internal controls, including segregation of duties, related to financial transactions and reporting.

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

FINDING 2013-002

Subject: Preparation of the Schedule of Expenditures of Federal Awards
Audit Findings: Material Weakness, Noncompliance

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-2.

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 Town had not established effective internal controls over the federal award information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's SEFA. The Clerk-Treasurer prepared the federal award information entered into Gateway without a control in place to prevent, or detect and correct, errors prior to submission.

Context

The SEFA presented for audit contained the following errors:

1. Two grants were not included, which understated federal expenditures by \$347,256:
 - a. The Highway Planning and Construction grant with expenditures of \$79,464 was omitted.
 - b. The Capitalization Grants for Clean Water State Resolving Funds with expenditures of \$267,792 was omitted.
2. The Community Development Block Grant expenditures were overstated by \$19,424.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

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An integral part of the control activity component is segregation of duties. . . .

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

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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 § _____.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.
- (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 *Context*.

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

Recommendation

We recommended that the Town's management establish controls related to the preparation of the SEFA.

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 2013-003

Subject: CDBG - State-Administered CDBG Cluster - Cash Management
Federal Agency: Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program
and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): B12DC180001CF-11-104
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Compliance Requirement: Cash Management
Audit Findings: Material Weakness, Other Matters

Repeat Finding

This is a repeat finding from the immediately prior audit report. The prior audit finding number was 2012-4.

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Cash Management compliance requirement.

Grant funds were required to be disbursed within five business days of receipt by the Town. The Town was aware of the five day requirement; however, no evidence was presented for audit that indicated a control to comply with the requirement was in place.

In the final drawdown for the grant award, the amount requested was divided into two parts. One amount of \$53,135 was to be paid to the contractor. The remaining balance of the grant award, \$19,425, was to replace expenditures previously incurred and charged to the Town's State Revolving Funds (SRF) grant. The SRF grant funds being replaced were used to pay the same contractor for work performed on the same project for the Town.

In requesting the drawdown, an additional \$53,135 was found to be mistakenly requested from the SRF grant. This resulted in a total of \$72,560 due to be repaid to the SRF grant within five business days of receiving the grant distribution, consisting of the \$53,135 duplicate request and the \$19,425 expenditure replacement. The Town received the distribution from the state on July 23, 2013; however, repayment to the SRF grant did not occur until November 27, 2013, approximately four months after receiving the grant distribution.

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

Context

The lack of controls and noncompliance were a systemic issue, which occurred throughout the audit period.

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. . . ."

24 CFR 85.12(c) states in part: "If an awarding agency decides to impose such conditions, the awarding official will notify the grantee or subgrantee as early as possible, in writing, . . ."

The Indiana CDBG Handbook, section 6.5 (Draw-downs and Disbursements) states in part:

"Under no circumstances should a Grantee retain more than \$5,000 of federal money in their bank account for more than five business days. If for any reason the federal funds cannot be disbursed during that five day period, the Grantee will be required to return all interest earned on the federal funds to OCRA by check made payable to the U.S. Treasury. Grantees are advised to keep federal funds in non-interesting bearing accounts."

Cause

Management had not developed a system of internal controls that would have ensured compliance with the Cash Management compliance requirement.

Effect

The failure to establish an effective internal control system placed the Town in noncompliance with the grant agreement and the Cash Management compliance requirement.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance with the grant agreement and the Cash Management compliance requirement.

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 DOCUMENTS

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



TOWN OF FORTVILLE

www.fortvilleindiana.org

714 East Broadway Street
Fortville, Indiana 46040-1557

Town Council

Tim Hexamer
Bob Sterrett
Robert Holland
Michael Frischkorn
Lenzy Hendrix

Clerk-Treasurer

Melissa Glazier

Town Manager

Joe Renner

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2012-001 – Internal Controls over Financial Transactions and Reporting

Fiscal year in which the finding initially occurred: 2012

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A

Contact Person Responsible for Corrective Action: Melissa Glazier

Contact Phone Number: 317.485.4044 ext 104

Status of Audit Finding:

1. Lack of Segregation of Duties: The segregation of accounting duties in the Clerk-Treasurer's office was inadequate. The Clerk-Treasurer was responsible for reconciling the bank account to the Town's records each month. The Clerk-Treasurer issued all receipts, created Town fund bank deposits, delivered those deposits to the bank, wrote all checks, and posted all financial transactions to the computerized accounting system. There also was no oversight or approval of the bank reconciliations once they were completed. The lack of oversight and approval of bank reconciliations and the inadequate segregation of accounting duties could allow fraud or errors to occur and remain undetected.

Currently, the clerk-treasurer oversees the office. The front desk (utility clerks) collect money for the utilities and for all types of police fees. They input them in the software and prepare the paperwork to make a deposit. The clerk-treasurer or assistant clerk will review and prepare the deposit. The other will take the deposits to the bank. The clerk receives other funds in her office and those are prepared for the bank as well and input in the software.

Payroll is received by office manager and Town Manager reviews payroll before it is sent to clerk. Clerk reviews and prepares it to be submitted in software and transmits it. The payroll company prepares stubs and direct deposits into each person's account. Clerk prepares entry for software. She pays the INPRS, and any miscellaneous deductions that need paid.

Bills are reviewed by department head and an appropriation number is included. Then, either the clerk or asst clerk will input them in the computer and the clerk will pay the bills. They are then prepared for the council meeting to be signed off before they can be sent out.

Town Offices

Clerk-Treasurer
(317) 485-4044

Town Manager
(317) 485-4712

Town Marshal
(317) 485-7483

Fire Department
(317) 485-4354

Street Department
(317) 485-6331

Utility Treatment
(317) 485-5432

Fax
(317) 485-4141

Fortville uses an outside bookkeeping service to reconcile the bank statements. They reconcile all accounts. They then review the appropriations to look for reasonableness. Then, they prepare a report for the council to review every month with shows how they are doing against their budget and the percentage variance. Also, they prepare a summary report show how they are doing against budget and from last year so make sure things are in line. They will ask questions if they have them and we will inform them of any major issues.

The outside bookkeeping service is available for questions and assistance as needed.

The bookkeeping service also prepares the budget and makes sure all the processes are followed. The clerk is at all the meetings relating to the budget to be familiar with it and assist as well.

The bookkeeping service prepares the AFR each year and the clerk submits the report.

2. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

The council does review monthly reports regarding the finances. The town has adopted internal controls minimum standard and are in the process of preparing procedures for each financial task to make sure the controls are in place for the Town.

FINDING 2012-002 - Internal Controls over Financial Transactions and Reporting of Federal Awards

Fiscal year in which the finding initially occurred: 2012
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action: Melissa Glazier
Contact Phone Number: 317.485.4044 ext 104

Status of Audit Finding:

1. The Town did not establish proper control procedures to identify and record federal grant receipts and disbursements in the financial records. Activity for State Revolving Fund (SRF)
Loans was not recorded in the financial records, but was maintained on an electronic spreadsheet.

The Town no longer uses the SRF at this time. The town did just get a Bond and all loans are recorded on the books so that is no longer an issue.

2. The Town did not have controls in place to verify that information reported on the SEFA agreed with the financial records to ensure the SEFA was accurate and complete. In some instances, there was federal grant activity in the financial records that was not reported on the SEFA.

The SEFA is recorded on the AFR and is also tracked in an excel spreadsheet as well as in the software so there is back up

3. Monitoring of Controls: Effective internal control over federal reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town does not have a process in place to identify or communicate corrective actions to improve controls.

The Town Council has adopted the minimum standards for internal controls along with the materiality threshold. They are in the process of working on procedures for all the financial related jobs to be compliant with the next phase required for SBOA

FINDING 2012-003 – Sub-recipient Monitoring

Fiscal year in which the finding initially occurred: 2012
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action:
Contact Phone Number:

Status of Audit Finding:

The Town of Fortville has not received any additional pass-thru funds.

FINDING 2012-004 – Cash Management

Fiscal year in which the finding initially occurred: 2012
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: N/A
Contact Person Responsible for Corrective Action:
Contact Phone Number:

Status of Audit Finding:

As stated above, Town of Fortville has not received any of these funds recently but if they do they will deposit into the appropriate fund and disburse out of an appropriate fund. They will make sure they file the proper paper work associated with the pass-thru funds.

My Gelatin

(Signature)

Clerk-Treasurer

(Title)

7.16.18

(Date)

Commented [jc1]: A signature is not required but can be included.



TOWN OF FORTVILLE

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Michael Frischkorn
Lenzy Hendrix

Clerk-Treasurer
Melissa Glazier

Town Manager
Joe Renner

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Melissa Glazier
Contact Phone Number: 317-485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

There is now a segregation of duties between the clerk-treasurer, deputy clerk and a third-party accounting firm. I was not the clerk-treasurer at the time, but I do know it was implemented in 2016.

Anticipated Completion Date: Implemented, finished

FINDING 2013-002

Contact Person Responsible for Corrective Action: Melissa Glazier
Contact Phone Number: 317.485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

Town Offices

Clerk-Treasurer
(317) 485-4044

Town Manager
(317) 485-4712

Town Marshal
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Fire Department
(317) 485-4354

Street Department
(317) 485-6331

Utility Treatment
(317) 485-5432

Fax
(317) 485-4141

Description of Corrective Action Plan:

There is now segregation of duties that will prevent this from happening in the future. We have a third-party accounting firm that reviews all of this information before it is submitted.

Anticipated Completion Date: Implemented, finished

FINDING 2013-003

Contact Person Responsible for Corrective Action: Melissa Glazier
Contact Phone Number: 317.485.4044 ext. 104

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The town has implemented a system of controls that will not allow for this to happen in the future.

Anticipated Completion Date: Implemented, finished



(Signature)

Clerk-Treasurer

(Title)

August 7, 2018

(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/>.