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

AUDIT REPORT

OF

TOWN OF STAUNTON

CLAY COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/28/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine Mienheartt	01-01-08 to 12-31-11
President of the Town Council	William A. Kirchner	01-01-08 to 12-31-10
Superintendent of Water Utility	Jacob Raubach	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Shirley Jolly	01-01-08 to 12-31-10



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF STAUNTON, CLAY COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Staunton (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated August 30, 2010, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 30, 2010



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF STAUNTON, CLAY COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Staunton (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 30, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated August 30, 2010.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

August 30, 2010

TOWN OF STAUNTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 43,776	\$ 635	\$ -	\$ -	\$ (43,141)	\$ -	\$ (43,141)
Public safety	907	372	-	-	(535)	-	(535)
Highways and streets	18,580	-	15,930	3,234	584	-	584
Total governmental activities	63,263	1,007	15,930	3,234	(43,092)	-	(43,092)
Business-type activities:							
Wastewater	560,267	145,498	-	402,400	-	(12,369)	(12,369)
Water	1,180,161	194,293	-	663,182	-	(322,686)	(322,686)
Total business-type activities	1,740,428	339,791	-	1,065,582	-	(335,055)	(335,055)
Total primary government	\$ 1,803,691	\$ 340,798	\$ 15,930	\$ 1,068,816	(43,092)	(335,055)	(378,147)
General receipts:							
Property taxes					18,881	-	18,881
Intergovernmental					21,595	-	21,595
Other local sources					4,296	-	4,296
Grants and contributions not restricted to specific programs					1,567	-	1,567
Investment earnings					1,504	2,046	3,550
Total general receipts					47,843	2,046	49,889
Change in net assets					4,751	(333,009)	(328,258)
Net assets - beginning					100,038	755,626	855,664
Net assets - ending					\$ 104,789	\$ 422,617	\$ 527,406
<u>Assets</u>							
Cash and investments					\$ 84,707	\$ 147,423	\$ 232,130
Restricted assets:							
Cash and investments					20,082	275,194	295,276
Total assets					\$ 104,789	\$ 422,617	\$ 527,406
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 6,712	\$ -	\$ 6,712
Capital outlay					13,370	-	13,370
Debt service					-	61,218	61,218
Other purposes					-	213,976	213,976
Unrestricted					84,707	147,423	232,130
Total net assets					\$ 104,789	\$ 422,617	\$ 527,406

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

TOWN OF STAUNTON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 18,881	\$ -	\$ -	\$ 18,881
Licenses and permits	-	-	372	372
Intergovernmental	16,356	15,930	8,473	40,759
Charges for services	635	-	-	635
Other	2,158	-	1,567	3,725
Total receipts	38,030	15,930	10,412	64,372
Disbursements:				
General government	33,856	-	9,920	43,776
Public safety	-	-	907	907
Highways and streets	-	15,634	2,946	18,580
Total disbursements	33,856	15,634	13,773	63,263
Excess (deficiency) of receipts over disbursements	4,174	296	(3,361)	1,109
Other financing sources:				
Other receipts	-	-	3,642	3,642
Excess of receipts and other financing sources over disbursements and other financing uses	4,174	296	281	4,751
Cash and investment fund balance - beginning	33,896	40,745	25,397	100,038
Cash and investment fund balance - ending	<u>\$ 38,070</u>	<u>\$ 41,041</u>	<u>\$ 25,678</u>	<u>\$ 104,789</u>
<u>Cash and Investment Assets - Ending</u>				
Cash and investments	\$ 38,070	\$ 41,041	\$ 5,596	\$ 84,707
Restricted assets:				
Cash and investments	-	-	20,082	20,082
Total cash and investment assets - ending	<u>\$ 38,070</u>	<u>\$ 41,041</u>	<u>\$ 25,678</u>	<u>\$ 104,789</u>
<u>Cash and Investment Fund Balance - Ending</u>				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 6,712	\$ 6,712
Capital outlay	-	-	13,370	13,370
Other purposes	-	-	-	-
Unrestricted	38,070	41,041	5,596	84,707
Total cash and investment fund balance - ending	<u>\$ 38,070</u>	<u>\$ 41,041</u>	<u>\$ 25,678</u>	<u>\$ 104,789</u>

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

TOWN OF STAUNTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Metered	\$ 143,640	\$ 193,440	\$ 337,080
Miscellaneous	1,858	853	2,711
Total operating receipts	<u>145,498</u>	<u>194,293</u>	<u>339,791</u>
Operating disbursements:			
Salaries and wages	45,569	20,667	66,236
Purchased power	10,489	10,064	20,553
Chemicals	1,556	3,983	5,539
Material and supplies	4,144	5,929	10,073
Contractual services	28,014	25,555	53,569
Administration and general	3,282	12,309	15,591
Refunds	-	535	535
Equipment and capital improvements	410,038	852,835	1,262,873
Miscellaneous	57,175	197,686	254,861
Total operating disbursements	<u>560,267</u>	<u>1,129,563</u>	<u>1,689,830</u>
Deficiency of operating receipts over operating disbursements	<u>(414,769)</u>	<u>(935,270)</u>	<u>(1,350,039)</u>
Nonoperating receipts (disbursements):			
Investment income	-	2,046	2,046
Interest disbursements	-	(50,598)	(50,598)
Total nonoperating disbursements	<u>-</u>	<u>(48,552)</u>	<u>(48,552)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(414,769)</u>	<u>(983,822)</u>	<u>(1,398,591)</u>
Capital contributions	402,400	663,182	1,065,582
Transfers in	54,169	83,710	137,879
Transfers out	(54,169)	(83,710)	(137,879)
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	<u>(12,369)</u>	<u>(320,640)</u>	<u>(333,009)</u>
Cash and investment fund balance - beginning	<u>129,391</u>	<u>626,235</u>	<u>755,626</u>
Cash and investment fund balance - ending	<u>\$ 117,022</u>	<u>\$ 305,595</u>	<u>\$ 422,617</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 84,199	\$ 63,224	\$ 147,423
Restricted assets:			
Cash and investments	<u>32,823</u>	<u>242,371</u>	<u>275,194</u>
Total cash and investment assets - December 31	<u>\$ 117,022</u>	<u>\$ 305,595</u>	<u>\$ 422,617</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 27,400	\$ 33,818	\$ 61,218
Other purposes	5,423	208,553	213,976
Unrestricted	<u>84,199</u>	<u>63,224</u>	<u>147,423</u>
Total cash and investment fund balance - December 31	<u>\$ 117,022</u>	<u>\$ 305,595</u>	<u>\$ 422,617</u>

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

TOWN OF STAUNTON
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2008

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 1,824</u>

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

TOWN OF STAUNTON
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
				Governmental Activities	Business-Type Activities		
Primary government:							
Governmental activities:							
General government	\$ 94,937	\$ 460	\$ -	\$ -	\$ (94,477)	\$ -	\$ (94,477)
Public safety	380	250	-	-	(130)	-	(130)
Highways and streets	14,627	-	14,612	3,067	3,052	-	3,052
Total governmental activities	109,944	710	14,612	3,067	(91,555)	-	(91,555)
Business-type activities:							
Wastewater	142,712	139,243	-	-	-	(3,469)	(3,469)
Water	329,384	271,519	-	-	-	(57,865)	(57,865)
Total business-type activities	472,096	410,762	-	-	-	(61,334)	(61,334)
Total primary government	\$ 582,040	\$ 411,472	\$ 14,612	\$ 3,067	(91,555)	(61,334)	(152,889)
General receipts:							
Property taxes					22,785	-	22,785
Intergovernmental					23,093	-	23,093
Other local sources					1,692	-	1,692
Grants and contributions not restricted to specific programs					51,858	-	51,858
Investment earnings					233	551	784
Total general receipts					99,661	551	100,212
Change in net assets					8,106	(60,783)	(52,677)
Net assets - beginning					104,789	422,617	527,406
Net assets - ending					\$ 112,895	\$ 361,834	\$ 474,729
<u>Assets</u>							
Cash and investments					\$ 88,908	\$ 170,064	\$ 258,972
Restricted assets:							
Cash and investments					23,987	191,770	215,757
Total assets					\$ 112,895	\$ 361,834	\$ 474,729
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 7,833	\$ -	\$ 7,833
Capital outlay					16,154	-	16,154
Debt service					-	88,491	88,491
Other purposes					-	103,279	103,279
Unrestricted					88,908	170,064	258,972
Total net assets					\$ 112,895	\$ 361,834	\$ 474,729

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

TOWN OF STAUNTON
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	Motor Vehicle Highway	Cumulative Capital Improvement	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 22,785	\$ -	\$ -	\$ -	\$ 22,785
Licenses and permits	-	-	-	140	140
Intergovernmental	17,965	14,612	1,686	6,509	40,772
Fines and forfeits	75	-	-	35	110
Other	697	-	51,858	-	52,555
Total receipts	41,522	14,612	53,544	6,684	116,362
Disbursements:					
General government	43,096	-	761	1,080	44,937
Public safety	-	-	-	380	380
Highways and streets	-	12,681	-	1,946	14,627
Capital outlay:					
General government	-	-	50,000	-	50,000
Total disbursements	43,096	12,681	50,761	3,406	109,944
Excess (deficiency) of receipts over disbursements	(1,574)	1,931	2,783	3,278	6,418
Other financing sources:					
Other receipts	1,303	385	-	-	1,688
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(271)	2,316	2,783	3,278	8,106
Cash and investment fund balance - beginning	38,070	41,041	13,371	12,307	104,789
Cash and investment fund balance - ending	<u>\$ 37,799</u>	<u>\$ 43,357</u>	<u>\$ 16,154</u>	<u>\$ 15,585</u>	<u>\$ 112,895</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 37,799	\$ 43,357	\$ -	\$ 7,752	\$ 88,908
Restricted assets:					
Cash and investments	-	-	16,154	7,833	23,987
Total cash and investment assets - ending	<u>\$ 37,799</u>	<u>\$ 43,357</u>	<u>\$ 16,154</u>	<u>\$ 15,585</u>	<u>\$ 112,895</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 7,833	\$ 7,833
Capital outlay	-	-	16,154	-	16,154
Other purposes	-	-	-	-	-
Unrestricted	37,799	43,357	-	7,752	88,908
Total cash and investment fund balance - ending	<u>\$ 37,799</u>	<u>\$ 43,357</u>	<u>\$ 16,154</u>	<u>\$ 15,585</u>	<u>\$ 112,895</u>

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

TOWN OF STAUNTON
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2009

	Wastewater Utility	Water Utility	Totals
Operating receipts:			
Metered/measured	\$ 139,243	\$ 210,665	\$ 349,908
Miscellaneous	-	60,854	60,854
	<u>139,243</u>	<u>271,519</u>	<u>410,762</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	51,976	26,388	78,364
Purchased power	13,079	11,520	24,599
Chemicals	567	7,290	7,857
Material and supplies	3,486	5,033	8,519
Contractual services	18,067	87,743	105,810
Insurance claims and expense	5,935	5,935	11,870
Bad debt	267	1,895	2,162
Administration and general	-	94,452	94,452
Refunds	-	360	360
Equipment and capital improvements	-	37,510	37,510
Miscellaneous	-	11,297	11,297
	<u>93,377</u>	<u>289,423</u>	<u>382,800</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>45,866</u>	<u>(17,904)</u>	<u>27,962</u>
Nonoperating receipts (disbursements):			
Investment income	260	291	551
Debt service of principal	(49,335)	-	(49,335)
Interest disbursements	-	(39,961)	(39,961)
	<u>(49,075)</u>	<u>(39,670)</u>	<u>(88,745)</u>
Total nonoperating disbursements			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(3,209)	(57,574)	(60,783)
Transfers in	54,169	83,150	137,319
Transfers out	(54,169)	(83,150)	(137,319)
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(3,209)	(57,574)	(60,783)
Cash and investment fund balance - beginning	<u>117,022</u>	<u>305,595</u>	<u>422,617</u>
Cash and investment fund balance - ending	<u>\$ 113,813</u>	<u>\$ 248,021</u>	<u>\$ 361,834</u>
<u>Cash and Investment Assets - ending</u>			
Cash and investments	\$ 76,156	\$ 93,908	\$ 170,064
Restricted assets:			
Cash and investments	<u>37,657</u>	<u>154,113</u>	<u>191,770</u>
Total cash and investments - ending	<u>\$ 113,813</u>	<u>\$ 248,021</u>	<u>\$ 361,834</u>
<u>Cash and Investment Fund Balance - ending</u>			
Restricted for:			
Debt service	\$ 32,234	\$ 56,257	\$ 88,491
Other purposes	5,423	97,856	103,279
Unrestricted	<u>76,156</u>	<u>93,908</u>	<u>170,064</u>
Total cash and investment fund balance - ending	<u>\$ 113,813</u>	<u>\$ 248,021</u>	<u>\$ 361,834</u>

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

TOWN OF STAUNTON
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2009

	<u>Agency Fund</u>
Cash and investment fund balance - ending	<u>\$ 1,475</u>

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

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS

I. 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 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, and urban redevelopment.

The Town's financial reporting entity is composed of the following:

Primary Government: Town of Staunton

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used to account for state motor vehicle highway distributions. It is principally used for the construction and maintenance of streets and alleys.

The cumulative capital improvement fund accounts for receipts and disbursements of state cigarette tax distributions.

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collections systems.

Additionally, the Town reports the following fund type:

The agency fund account for assets held by the Town as an agent for payroll.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. 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. Taxable property is assessed at 100% 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2009, disbursements exceeded budgeted appropriations in the following funds by the amounts below:

Fund	2009
Cumulative Capital Improvement	\$ <u>42,265</u>

These disbursements were funded by working project finances.

III. Detailed Notes on All Funds

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

funds and has a principal office or branch that qualifies to receive public funds of the political sub-division. The Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$756,697. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

IV. Other Information

A. Risk Management

The Town is 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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

On June 13, 1999, the Town Council adopted Ordinance 1999-1 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on October 1, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on April 1, 2005.

C. Subsequent Events

The Town was awarded \$406,000 through the Office of Community and Rural Affairs for construction of a new Town Hall and Community Center in 2010. Construction was completed in May 2010.

The Office of Community and Rural Affairs awarded a \$1,000,000 grant for Storm Sewer upgrades which began in August 2010.

TOWN OF STAUNTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Levy Excess	Cumulative Capital Improvement	Totals
Receipts:							
Licenses and permits	\$ -	\$ 372	\$ -	\$ -	\$ -	\$ -	\$ 372
Intergovernmental	3,234	-	3,450	-	-	1,789	8,473
Other	-	-	-	1,567	-	-	1,567
Total receipts	3,234	372	3,450	1,567	-	1,789	10,412
Disbursements:							
General government	-	-	4,436	1,364	-	4,120	9,920
Public safety	-	907	-	-	-	-	907
Highways and streets	2,946	-	-	-	-	-	2,946
Total disbursements	2,946	907	4,436	1,364	-	4,120	13,773
Excess (deficiency) of receipts over disbursements	288	(535)	(986)	203	-	(2,331)	(3,361)
Other financing sources:							
Other receipts	-	-	1,002	-	-	2,640	3,642
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	288	(535)	16	203	-	309	281
Cash and investment fund balance - beginning	6,424	1,084	3,468	-	1,360	13,061	25,397
Cash and investment fund balance - ending	<u>\$ 6,712</u>	<u>\$ 549</u>	<u>\$ 3,484</u>	<u>\$ 203</u>	<u>\$ 1,360</u>	<u>\$ 13,370</u>	<u>\$ 25,678</u>
Cash and Investment Assets - Ending							
Cash and investments	\$ -	\$ 549	\$ 3,484	\$ 203	\$ 1,360	\$ -	\$ 5,596
Restricted assets:							
Cash and investments	6,712	-	-	-	-	13,370	20,082
Total cash and investment assets - ending	\$ 6,712	\$ 549	\$ 3,484	\$ 203	\$ 1,360	\$ 13,370	\$ 25,678
Cash and Investment Fund Balance - Ending							
Restricted for:							
Highways and streets	\$ 6,712	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,712
Capital outlay	-	-	-	-	-	13,370	13,370
Unrestricted	-	549	3,484	203	1,360	-	5,596
Total cash and investment fund balance - ending	\$ 6,712	\$ 549	\$ 3,484	\$ 203	\$ 1,360	\$ 13,370	\$ 25,678

TOWN OF STAUNTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 87,690
Deductions:	
Agency fund deductions	87,631
Excess of total additions over total deductions	59
Cash and investment fund balance - beginning	1,765
Cash and investment fund balance - ending	\$ 1,824

TOWN OF STAUNTON
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road And Street	Law Enforcement Continuing Education	Riverboat	Rainy Day	Levy Excess	Totals
Receipts:						
Licenses and permits	\$ -	\$ 140	\$ -	\$ -	\$ -	\$ 140
Intergovernmental	3,067	-	3,442	-	-	6,509
Fines and forfeits	-	35	-	-	-	35
Total receipts	3,067	175	3,442	-	-	6,684
Disbursements:						
General government	-	-	1,080	-	-	1,080
Public safety	-	380	-	-	-	380
Highways and streets	1,946	-	-	-	-	1,946
Total disbursements	1,946	380	1,080	-	-	3,406
Excess (deficiency) of receipts over disbursements	1,121	(205)	2,362	-	-	3,278
Cash and investment fund balance - beginning	6,712	548	3,484	203	1,360	12,307
Cash and investment fund balance - ending	<u>\$ 7,833</u>	<u>\$ 343</u>	<u>\$ 5,846</u>	<u>\$ 203</u>	<u>\$ 1,360</u>	<u>\$ 15,585</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ -	\$ 343	\$ 5,846	\$ 203	\$ 1,360	\$ 7,752
Restricted assets:						
Cash and investments	7,833	-	-	-	-	7,833
Total cash and investment assets - ending	<u>\$ 7,833</u>	<u>\$ 343</u>	<u>\$ 5,846</u>	<u>\$ 203</u>	<u>\$ 1,360</u>	<u>\$ 15,585</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ 7,833	\$ -	\$ -	\$ -	\$ -	\$ 7,833
Unrestricted	-	343	5,846	203	1,360	7,752
Total cash and investment fund balance - ending	<u>\$ 7,833</u>	<u>\$ 343</u>	<u>\$ 5,846</u>	<u>\$ 203</u>	<u>\$ 1,360</u>	<u>\$ 15,585</u>

TOWN OF STAUNTON
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2009

	Payroll
Additions:	
Agency fund additions	\$ 106,259
Deductions:	
Agency fund deductions	106,608
Deficiency of total additions over total deductions	(349)
Cash and investment fund balance - beginning	1,824
Cash and investment fund balance - ending	\$ 1,475

TOWN OF STAUNTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,000
Buildings	87,968
Improvements other than buildings	<u>31,248</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 120,216</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 3,703
Buildings	250,000
Improvements other than buildings	566,629
Machinery and equipment	<u>295,111</u>
Total Water Utility capital assets	<u>1,115,443</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	8,716
Construction in progress	956,046
Buildings	278,750
Improvements other than buildings	3,860
Machinery and equipment	<u>51,969</u>
Total Wastewater Utility capital assets	<u>1,299,341</u>
Total business-type activities capital assets	<u>\$ 2,414,784</u>

TOWN OF STAUNTON
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Improvements	\$ 650,000	\$ 28,218
Wastewater Utility:		
Revenue bonds:		
Wastewater Improvements	891,000	49,981
Total business-type activities debt	<u>\$ 1,541,000</u>	<u>\$ 78,199</u>

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS (Town and Utilities)

The following prescribed or approved forms were not always in use:

General Form 350 - Register of Investments
General Form 99B - Employee's Earnings Record

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CLAIMS DOCKET (Town and Utilities)

Several payroll checks were not listed on the claims docket for approval of the Town Council prior to being paid.

IC 5-11-10-2 states in part:

"(a) Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity as defined in section 1.6 [IC 5-11-10-1.6] of this chapter, the claim must be certified by the fiscal officer. (b) The state board of accounts shall prescribe a form which will permit claims from two (2) or more claimants to be listed on a single document and, when such list is signed by members of the governing body showing the claims and amounts allowed each claimant and the total claimed and allowed as listed on such document, it shall not be necessary for the members to sign each claim. (Cities and Towns Bulletin, March 2000, page 2)

INTERNAL CONTROLS (Town and Utilities)

We noted a deficiency in the internal control system of the Town related to the bank reconciliation process that was considered to be a material weakness. The Clerk-Treasurer is responsible for reconciling the bank accounts to the Town's records each month. She also has the responsibility to write checks and post transactions to the ledger. There is no approval or oversight of the bank reconciliation once it is completed. The lack of oversight and approval of the bank reconciliation could allow misstatements to be undetected.

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 objections, 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. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND (Town)

The following official bonds were not filed in the Office of the County Recorder for 2008 and 2009:

Catherine L. Mienheartt, Clerk-Treasurer
Ed Nevins, Town Council
Andy Kirchner, Town Council
Brad Webster, Town Council

IC 5-4-1-5.1 requires official bonds of city and town officers and employees to be filed and recorded in the county recorder's office.

ORDINANCES AND RESOLUTIONS (Water Utility)

The Town has an ordinance effective October 1, 2007, establishing rates and charges for the use of and services rendered by the Waterworks Utility. The ordinance specifies a school rate minimum charge of \$539.95 per month. However, the amount billed to the school was based on actual usage which was less than the amount specified in the ordinance. The under billing for the audit period totaled \$7,454.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WASTEWATER UTILITY LATE FEES (Wastewater Utility)

Contrary to Indiana Code, the Wastewater Utility charged late penalties on delinquent accounts of ten percent of the first six dollars owed and three percent on all amounts over six dollars. The Indiana Code requires the penalty to be ten percent of the total amount of the delinquent fees.

IC 36-9-23-31 states in part: "If fees assessed . . . are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

BOARD MINUTES (Town)

Board minutes of meetings from September 8, 2008, through current the date of the governing body were not available for audit.

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

IC 5-14-1.5-4 states in part:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5." or IC 20-12-63-7."

APPROPRIATIONS (Town)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Capital Improvement	2009	<u>\$ 42,265</u>

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

CAPITAL ASSET RECORDS (Town and Utilities)

Capital asset records presented for audit for 2008 and 2009 had not been updated.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each city or town should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which equipment items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

CONTRACT NOT AVAILABLE FOR REVIEW (Wastewater Utility)

A contract was not made available for review on monthly payments to the President of the Town Council for a cell phone. Board minutes did indicate that the Town Council had gave permission to reimburse the President of the Town Council for the amount that his cell phone bill exceeded his base plan but the Town was paying him a flat \$100 per month.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRAVEL (Town and Utilities)

Travel reimbursement was made during 2008 and 2009 without an adopted written travel policy being available for audit.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX (Water Utility)

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT ACCOUNTS RECEIVABLE (Water Utility)

The Town has an Ordinance establishing the shutoff policy for delinquent customers. If the account is not paid by the 10th of the month, the water will be shut-off on the 11th, unless a payment agreement is signed by the board. The Water Utility did not always shut off delinquent customers as required by the ordinance, including accounts of the Town Marshall and the Clerk-Treasurer. No payment agreements were located for the audit period.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER (Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The cash balance in the customer deposit fund exceeds the detailed customer deposit register by \$778.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DELINQUENT WASTEWATER ACCOUNTS (Wastewater Utility)

Delinquent Wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) A description of the premises, as shown by the records of the county auditor; and

(C) The amount of the delinquent fees, together with the penalty; or

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent."

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

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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Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF STAUNTON, CLAY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Staunton (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2008 and 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, Town Council and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 30, 2010

TOWN OF STAUNTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 402,400	\$ -
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
State Administered Small Cities Program Cluster				
Community Development Block Grants/State's Program				
and Non-Entitlement Grants in Hawaii	14.228			
Planning Grant		CF-09-125	-	35,000
Community Focus Fund		CF-06-236	500,000	-
Total for federal grantor agency			500,000	35,000
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Public Assistance Grants	97.036	Disaster #1766	3,641	-
Total federal awards expended			\$ 906,041	\$ 35,000

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

TOWN OF STAUNTON
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Staunton (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF STAUNTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii

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

Auditee qualified as low-risk auditee? no

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

Section II – Financial Statement Findings

FINDING 2009-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – MATERIAL WEAKNESSES

We noted a deficiency in the internal control system of the Town related to the bank reconciliation process that was considered to be a material weakness. The Clerk-Treasurer is responsible for reconciling the bank accounts to the Town's records each month. She also has the responsibility to write checks and post transactions to the ledger. There is no approval or oversight of the bank reconciliation once it is completed. The lack of oversight and approval of the bank reconciliation could allow misstatements to be undetected.

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 control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF STAUNTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

AUG 23, 2010

FEDERAL FINDING 2009-1 CONTROLS OVER FINANCIAL
TRANSACTION AND REPORTING- MATERIAL WEAKNESS

Auditee Contact Person: Catherine Mienheartt
Title of Contact Person: Clerk Treasurer
Phone Number: 812-448-1487
Expected Completion Date: September 2010

Corrective Action Planned:

The finding noted that there is no approval or oversight of the bank reconciliation once it is completed. We plan as of September 13, 2010 to change this by designating one of the Town council members as the person to oversee the bank reconciliation process. This council member will come into the office once a month, review the bank reconciliation performed by the Clerk-Treasurer, and initial the reconciliation's once he has approved them. If there are any problems or questions, this Council member can share them with the rest of the Town Council at the next meeting.

CLERK/TREASURER



CATHERINE MIENHEARTT

TOWN OF STAUNTON
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2010, with William A. Kirchner, President of the Town Council. The official concurred with our audit findings.

The contents of this report were discussed on August 30, 2010, with Catherine Mienheartt, Clerk-Treasurer.