

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

AUDIT REPORT

OF

TOWN OF STILESVILLE

HENDRICKS COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Polly Carter	01-01-08 to 12-31-11
President of the Town Council	Garret Reitzel Lowell Farthing	01-01-09 to 12-31-10 01-01-11 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 STILESVILLE, HENDRICKS COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Stilesville (Town), for the years ended December 31, 2009 and 2010. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion 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 consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. 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 opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2011, 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 an opinion on the Town's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statements. The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

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

July 26, 2011



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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 STILESVILLE, HENDRICKS COUNTY, INDIANA

We have audited the financial statements of the Town of Stilesville (Town), for the years ended December 31, 2009 and 2010, and have issued our report thereon dated July 26, 2011. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 that we consider to be significant deficiencies in internal control over financial reporting.

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)

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.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

July 26, 2011

FINANCIAL STATEMENT(S)

TOWN OF STILESVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General Fund	\$ 17,665	\$ 76,988	\$ 63,588	\$ 31,065
Economic Development Income Tax	19,007	6,714	4,977	20,744
Community Center	1,632	535	-	2,167
Motor Vehicle Highway	21,993	16,364	14,343	24,014
Local Road And Street	14,629	3,992	5,205	13,416
Police Donation Fund	1,018	-	877	141
Police Continuing Ed	274	532	716	90
Riverboat Wagering Tax Revenue	4,753	1,634	800	5,587
Cumulative Capl Improv Cig Tax	-	829	422	407
Cumulative Capital Development	1,118	3,033	-	4,151
Wastewater Operating	56,179	79,076	84,592	50,663
Wastewater Utility Debt Reserve	24,652	3,685	-	28,337
Wastewater Utility Bond And Interest	62,113	7,200	-	69,313
Totals	<u>\$ 225,033</u>	<u>\$ 200,582</u>	<u>\$ 175,520</u>	<u>\$ 250,095</u>

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

TOWN OF STILESVILLE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 31,065	\$ 173,783	\$ 163,228	\$ 41,620
Economic Development Income Tax	20,744	6,136	2,569	24,311
Community Center	2,167	900	179	2,888
Motor Vehicle Highway	24,014	14,181	4,392	33,803
Local Road And Street	13,416	4,188	1,170	16,434
Police Donation Fund	141	3,565	3,683	23
Police Continuing Ed	90	920	187	823
Riverboat Wagering Tax Revenue	5,587	1,633	-	7,220
Cumulative Capl Improv Cig Tax	407	764	-	1,171
Cumulative Capital Develoment	4,151	4,364	-	8,515
Wastewater Operating	50,663	78,992	63,361	66,294
Wastewater Utility Debt Reserve	28,337	3,141	-	31,478
Wastewater Utility-Construction	-	579,472	574,837	4,635
Wastewater Utility Bond And Interest	69,313	7,200	69,834	6,679
Wastewater Utility Improvement	-	38,834	-	38,834
Totals	<u>\$ 250,095</u>	<u>\$ 918,073</u>	<u>\$ 883,440</u>	<u>\$ 284,728</u>

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

TOWN OF STILESVILLE
NOTES TO FINANCIAL STATEMENT(S)

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(s) present(s) the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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. Receipts are recorded when received and disbursements are recorded when paid.

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 statements. The aggregate receipts may include, but are not limited to, the following sources:

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

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

TOWN OF STILESVILLE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

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

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

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

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

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

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

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

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

TOWN OF STILESVILLE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

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

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF STILESVILLE
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of Stilesville's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF STILESVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General Fund	Economic Development Income Tax	Community Center	Motor Vehicle Highway	Local Road And Street	Police Donation Fund	Police Continuing Ed
Cash and investments - beginning	\$ 17,665	\$ 19,007	\$ 1,632	\$ 21,993	\$ 14,629	\$ 1,018	\$ 274
Receipts:							
Taxes	33,913	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	190
Intergovernmental	21,458	6,254	-	16,364	3,992	-	-
Charges for services	349	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	342
Utility fees	-	-	-	-	-	-	-
Other receipts	21,268	460	535	-	-	-	-
Total receipts	<u>76,988</u>	<u>6,714</u>	<u>535</u>	<u>16,364</u>	<u>3,992</u>	<u>-</u>	<u>532</u>
Disbursements:							
Personal services	18,156	3,338	-	-	-	-	-
Supplies	1,372	311	-	5,600	4,755	-	-
Other services and charges	26,890	-	-	4,743	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	850	-	-	2,000	450	-	716
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	16,320	1,328	-	2,000	-	877	-
Total disbursements	<u>63,588</u>	<u>4,977</u>	<u>-</u>	<u>14,343</u>	<u>5,205</u>	<u>877</u>	<u>716</u>
Excess (deficiency) of receipts over disbursements	<u>13,400</u>	<u>1,737</u>	<u>535</u>	<u>2,021</u>	<u>(1,213)</u>	<u>(877)</u>	<u>(184)</u>
Cash and investments - ending	<u>\$ 31,065</u>	<u>\$ 20,744</u>	<u>\$ 2,167</u>	<u>\$ 24,014</u>	<u>\$ 13,416</u>	<u>\$ 141</u>	<u>\$ 90</u>

TOWN OF STILESVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Riverboat Wagering Tax Revenue	Cumulative Capl Improv Cig Tax	Cumulative Capital Development	Wastewater Operating	Wastewater Utility Debt Reserve	Wastewater Utility Bond And Interest	Totals
Cash and investments - beginning	\$ 4,753	\$ -	\$ 1,118	\$ 56,179	\$ 24,652	\$ 62,113	\$ 225,033
Receipts:							
Taxes	-	-	2,685	-	-	-	36,598
Licenses and permits	-	-	-	-	-	-	190
Intergovernmental	1,634	800	348	-	-	-	50,850
Charges for services	-	-	-	-	-	-	349
Fines and forfeits	-	-	-	-	-	-	342
Utility fees	-	-	-	994	-	-	994
Other receipts	-	29	-	78,082	3,685	7,200	111,259
Total receipts	1,634	829	3,033	79,076	3,685	7,200	200,582
Disbursements:							
Personal services	-	-	-	-	-	-	21,494
Supplies	-	-	-	-	-	-	12,038
Other services and charges	-	-	-	-	-	-	31,633
Debt service - principal and interest	-	-	-	7,200	-	-	7,200
Capital outlay	-	422	-	-	-	-	4,438
Utility operating expenses	-	-	-	42,375	-	-	42,375
Other disbursements	800	-	-	35,017	-	-	56,342
Total disbursements	800	422	-	84,592	-	-	175,520
Excess (deficiency) of receipts over disbursements	834	407	3,033	(5,516)	3,685	7,200	25,062
Cash and investments - ending	\$ 5,587	\$ 407	\$ 4,151	\$ 50,663	\$ 28,337	\$ 69,313	\$ 250,095

TOWN OF STILESVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Economic Development Income Tax	Community Center	Motor Vehicle Highway	Local Road And Street	Police Donation Fund
Cash and investments - beginning	\$ 31,065	\$ 20,744	\$ 2,167	\$ 24,014	\$ 13,416	\$ 141
Receipts:						
Taxes	32,770	-	-	-	-	-
Intergovernmental	21,667	6,136	-	14,181	4,188	-
Charges for services	-	-	870	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	119,346	-	30	-	-	3,565
Total receipts	<u>173,783</u>	<u>6,136</u>	<u>900</u>	<u>14,181</u>	<u>4,188</u>	<u>3,565</u>
Disbursements:						
Personal services	18,970	435	-	-	-	-
Supplies	1,421	960	179	-	-	-
Other services and charges	30,544	832	-	4,392	1,170	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	667	342	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	111,626	-	-	-	-	3,683
Total disbursements	<u>163,228</u>	<u>2,569</u>	<u>179</u>	<u>4,392</u>	<u>1,170</u>	<u>3,683</u>
Excess (deficiency) of receipts over disbursements	<u>10,555</u>	<u>3,567</u>	<u>721</u>	<u>9,789</u>	<u>3,018</u>	<u>(118)</u>
Cash and investments - ending	<u>\$ 41,620</u>	<u>\$ 24,311</u>	<u>\$ 2,888</u>	<u>\$ 33,803</u>	<u>\$ 16,434</u>	<u>\$ 23</u>

TOWN OF STILESVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Police Continuing Ed	Riverboat Wagering Tax Revenue	Cumulative Capl Improv Cig Tax	Cumulative Capital Develoment	Wastewater Operating
Cash and investments - beginning	\$ 90	\$ 5,587	\$ 407	\$ 4,151	\$ 50,663
Receipts:					
Taxes	-	-	-	4,364	-
Intergovernmental	750	1,633	764	-	2,362
Charges for services	-	-	-	-	-
Utility fees	-	-	-	-	68,351
Penalties	-	-	-	-	2,184
Other receipts	170	-	-	-	6,095
Total receipts	<u>920</u>	<u>1,633</u>	<u>764</u>	<u>4,364</u>	<u>78,992</u>
Disbursements:					
Personal services	187	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-
Capital outlay	-	-	-	-	5,064
Utility operating expenses	-	-	-	-	48,294
Other disbursements	-	-	-	-	10,003
Total disbursements	<u>187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,361</u>
Excess (deficiency) of receipts over disbursements	<u>733</u>	<u>1,633</u>	<u>764</u>	<u>4,364</u>	<u>15,631</u>
Cash and investments - ending	<u>\$ 823</u>	<u>\$ 7,220</u>	<u>\$ 1,171</u>	<u>\$ 8,515</u>	<u>\$ 66,294</u>

TOWN OF STILESVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Wastewater Utility Debt Reserve	Wastewater Utility-Construction	Wastewater Utility Bond And Interest	Wastewater Utility Improvement	Totals
Cash and investments - beginning	\$ 28,337	\$ -	\$ 69,313	\$ -	\$ 250,095
Receipts:					
Taxes	-	-	-	-	37,134
Intergovernmental	-	-	-	-	51,681
Charges for services	-	-	-	-	870
Utility fees	-	-	-	-	68,351
Penalties	-	-	-	-	2,184
Other receipts	3,141	579,472	7,200	38,834	757,853
Total receipts	<u>3,141</u>	<u>579,472</u>	<u>7,200</u>	<u>38,834</u>	<u>918,073</u>
Disbursements:					
Personal services	-	-	-	-	19,592
Supplies	-	-	-	-	2,560
Other services and charges	-	-	-	-	36,938
Debt service - principal and interest	-	-	31,000	-	31,000
Capital outlay	-	-	-	-	6,073
Utility operating expenses	-	-	-	-	48,294
Other disbursements	-	574,837	38,834	-	738,983
Total disbursements	<u>-</u>	<u>574,837</u>	<u>69,834</u>	<u>-</u>	<u>883,440</u>
Excess (deficiency) of receipts over disbursements	<u>3,141</u>	<u>4,635</u>	<u>(62,634)</u>	<u>38,834</u>	<u>34,633</u>
Cash and investments - ending	<u>\$ 31,478</u>	<u>\$ 4,635</u>	<u>\$ 6,679</u>	<u>\$ 38,834</u>	<u>\$ 284,728</u>

TOWN OF STILESVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Town:		
Notes and loans payable:		
2000 Town Hall lease	\$ 14,827	\$ 5,060
Wastewater Utility:		
Revenue bonds:		
1997 Sewage Works	\$ 452,000	\$ 31,600

TOWN OF STILESVILLE
AUDIT RESULT(S) AND COMMENT(S)

INTERNAL CONTROLS – SEGREGATION OF DUTIES

The Town, because of its size and limited funding, has not separated incompatible financial activities. The same Town employee is responsible for receipting monies, disbursing monies, posting transactions and reconciling the bank statements.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

The General Fund budgeted appropriations were overspent by \$10,616 in 2009.

Indiana Code 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."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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 STILESVILLE, HENDRICKS COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Stilesville (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 its major federal program for the years ended December 31, 2009 and 2010. 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 year ended December 31, 2010.

Internal Control Over Compliance

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 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.

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 deficiency in 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 and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, 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

July 26, 2011

TOWN OF STILESVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2009 and 2010

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 12-31-09	Total Federal Awards Expended 12-31-10
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs State - Administered CDBG Cluster Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228	DR 2-09-026	\$ -	\$ 549,015
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	2010	-	750
Total federal awards expended			<u>\$ -</u>	<u>\$ 549,765</u>

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF STILESVILLE
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. *Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Stilesville (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 STILESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	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:

Name of Federal Program or Cluster

State - Administered CDBG Cluster

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

Auditee qualified as low-risk auditee?	no
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TOWN OF STILESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2010-1 - INTERNAL CONTROLS - SEGREGATION OF DUTIES

The Town, because of its size and limited funding, has not separated incompatible financial activities. The same Town employee is responsible for receipting monies, disbursing monies, posting transactions and reconciling the bank statements.

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

No matters are reportable.

TOWN OF STILESVILLE

P.O. Box 59
Stilesville, IN 46180

July 26, 2011

To Whom It May Concern:

I am addressing a response for the corrective action plan. In Finding 2010-1 – Segregation of Duties - it was stated that because of the Town's size and limited funding that the same employee is responsible for receipting, disbursing, posting, and reconciling any and all monies for the Town of Stilesville. I can only say- it is what it is. The budget does not allow enough money for a deputy clerk, so therefore it is a one- person office. The Town Board oversees the Accounts Payable Voucher Register and votes on the claims every month and this motion is then recorded in the minutes; and any large amount, account payable item, the Board takes bids, and a vote and motion is passed and recorded in the minutes at the Board meeting.



Polly Carter

Clerk/ Treasurer for the Town of Stilesville

TOWN OF STILESVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2011, with Polly Carter, Clerk-Treasurer, and Garret Reitzel, Town Council member.