

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

ANNUAL FINANCIAL REPORT

2010

TOWN OF SOUTH WHITLEY

WHITLEY COUNTY, INDIANA



**FILED**  
08/19/2011



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mitchel J. Winger	01-01-08 to 12-31-11
President of the Town Council	Joan R. Eberhart John M. Dunn	01-01-10 to 12-31-10 01-01-11 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENT  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We have audited the accompanying financial statement of the Town of South Whitley (Town), for the year ended December 31, 2010. This financial statement is the responsibility of the Town's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit 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 statement. 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 statement 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 statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 8, 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.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement.

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

Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule 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 statement 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

August 8, 2011



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

TO: THE OFFICIALS OF THE TOWN OF SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

We have audited the financial statement of the Town of South Whitley (Town), for the year ended December 31, 2010, and have issued our report thereon dated August 8, 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 opinion on the financial statement, 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 statement will not be prevented or detected and corrected on a timely basis.

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.

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

Compliance and Other Matters

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

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 8, 2011

FINANCIAL STATEMENT

TOWN OF SOUTH WHITLEY  
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	\$ 78,925	\$ 467,668	\$ 440,728	\$ 105,865
Motor Vehicle Highway	8,926	56,278	65,662	(458)
Local Road and Street	10,283	10,296	7,792	12,787
Sanitation	9,258	100,206	85,776	23,688
Disaster Relief	-	10,000	10,000	-
Law Enforcement Continuing Education	1,661	1,843	821	2,683
Riverboat	(636)	11,152	1,676	8,840
Park and Recreation	3,659	20,178	735	23,102
Retainage CSO Sewage Project	-	27,416	-	27,416
Rainy Day	67,020	55,731	44,174	78,577
Downtown Planning Grant	(12)	12	-	-
Cumulative Capital Development	34,132	6,131	18,272	21,991
Police Training and Equipment	183	70	339	(86)
Economic Development Income Tax	137,788	150,050	113,347	174,491
Cumulative Capital Improvement	11,676	5,218	10,360	6,534
PERF Withholding	4,043	14,971	14,543	4,471
Federal Withholding	26	60,607	53,766	6,867
State Withholding	1,280	20,176	17,619	3,837
FICA Withholding	11	34,664	33,436	1,239
CAGIT Withholding	397	6,198	5,406	1,189
Medicare Withholding	2	8,139	7,824	317
Electric Operating	699,646	1,491,414	1,479,927	711,133
Electric Depreciation	151,601	-	15,678	135,923
Electric Meter Deposit	35,606	10,050	5,550	40,106
Electric Cash Reserve	32,340	-	-	32,340
Sewage Operating	388,575	433,361	400,932	421,004
CSO CDBG Sewer Project 2010	-	548,313	548,313	-
Sewage Capital	(945)	-	-	(945)
Sewage Bond and Interest	7,974	85,013	85,013	7,974
Sewage Debt Service Reserve	85,513	-	-	85,513
Water Operating	224,293	267,574	302,256	189,611
Water Bond and Interest	33,990	95,768	96,675	33,083
Water Depreciation	64,508	31,062	44,626	50,944
Water Debt Service Reserve	81,000	-	-	81,000
Sales Tax	(855)	76,660	81,063	(5,258)
Water Cash Reserve	5,715	-	-	5,715
Totals	<u>\$ 2,177,583</u>	<u>\$ 4,106,219</u>	<u>\$ 3,992,309</u>	<u>\$ 2,291,493</u>

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

TOWN OF SOUTH WHITLEY  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement present 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 SOUTH WHITLEY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of 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 SOUTH WHITLEY  
NOTES TO FINANCIAL STATEMENT  
(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 SOUTH WHITLEY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 4. Deposits and Investments**

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

State statutes authorize the Town to invest in securities including, but not limited to, 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.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

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

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

TOWN OF SOUTH WHITLEY  
NOTES TO FINANCIAL STATEMENT  
(Continued)

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

*Funding Policy and Annual Pension Cost*

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town of South Whitley's Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports](http://www.in.gov/itp/annual_reports).

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

	General	Motor Vehicle Highway	Local Road and Street	Sanitation	Disaster Relief	Law Enforcement Continuing Education	Riverboat
Cash and investments - beginning	\$ 78,925	\$ 8,926	\$ 10,283	\$ 9,258	\$ -	\$ 1,661	\$ (636)
Receipts:							
Taxes	228,425	-	-	-	-	-	-
Licenses and permits	283	-	-	-	-	870	-
Intergovernmental	221,956	55,898	8,456	-	10,000	-	11,152
Charges for services	-	360	-	99,228	-	116	-
Fines and forfeits	1,145	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	15,859	20	1,840	978	-	857	-
Total receipts	<u>467,668</u>	<u>56,278</u>	<u>10,296</u>	<u>100,206</u>	<u>10,000</u>	<u>1,843</u>	<u>11,152</u>
Disbursements:							
Personal services	331,590	35,191	-	5,754	-	-	-
Supplies	6,048	2,992	-	2,648	-	821	65
Other services and charges	97,387	27,179	7,792	77,374	10,000	-	1,423
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	5,703	300	-	-	-	-	188
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>440,728</u>	<u>65,662</u>	<u>7,792</u>	<u>85,776</u>	<u>10,000</u>	<u>821</u>	<u>1,676</u>
Excess (deficiency) of receipts over disbursements	<u>26,940</u>	<u>(9,384)</u>	<u>2,504</u>	<u>14,430</u>	<u>-</u>	<u>1,022</u>	<u>9,476</u>
Cash and investments - ending	<u>\$ 105,865</u>	<u>\$ (458)</u>	<u>\$ 12,787</u>	<u>\$ 23,688</u>	<u>\$ -</u>	<u>\$ 2,683</u>	<u>\$ 8,840</u>

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

	Park and Recreation	Retainage CSO Sewage Project	Rainy Day	Downtown Planning Grant	Cumulative Capital Development	Police Training and Equipment
Cash and investments - beginning	\$ 3,659	\$ -	\$ 67,020	\$ (12)	\$ 34,132	\$ 183
Receipts:						
Taxes	-	-	-	-	4,446	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	55,731	-	785	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	20,178	27,416	-	12	900	70
Total receipts	20,178	27,416	55,731	12	6,131	70
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	735	-	-	-	275	339
Other services and charges	-	-	44,174	-	6,448	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	11,549	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	735	-	44,174	-	18,272	339
Excess (deficiency) of receipts over disbursements	19,443	27,416	11,557	12	(12,141)	(269)
Cash and investments - ending	\$ 23,102	\$ 27,416	\$ 78,577	\$ -	\$ 21,991	\$ (86)

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

	Economic Development Income Tax	Cumulative Capital Improvement	PERF Withholding	Federal Withholding	State Withholding	FICA Withholding
Cash and investments - beginning	\$ 137,788	\$ 11,676	\$ 4,043	\$ 26	\$ 1,280	\$ 11
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	139,250	5,218	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	10,800	-	14,971	60,607	20,176	34,664
Total receipts	<u>150,050</u>	<u>5,218</u>	<u>14,971</u>	<u>60,607</u>	<u>20,176</u>	<u>34,664</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	30,598	10,210	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	75,212	150	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	7,537	-	14,543	53,766	17,619	33,436
Total disbursements	<u>113,347</u>	<u>10,360</u>	<u>14,543</u>	<u>53,766</u>	<u>17,619</u>	<u>33,436</u>
Excess (deficiency) of receipts over disbursements	<u>36,703</u>	<u>(5,142)</u>	<u>428</u>	<u>6,841</u>	<u>2,557</u>	<u>1,228</u>
Cash and investments - ending	<u>\$ 174,491</u>	<u>\$ 6,534</u>	<u>\$ 4,471</u>	<u>\$ 6,867</u>	<u>\$ 3,837</u>	<u>\$ 1,239</u>

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

	<u>CAGIT Withholding</u>	<u>Medicare Withholding</u>	<u>Electric Operating</u>	<u>Electric Depreciation</u>	<u>Electric Meter Deposit</u>	<u>Electric Cash Reserve</u>
Cash and investments - beginning	\$ 397	\$ 2	\$ 699,646	\$ 151,601	\$ 35,606	\$ 32,340
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	1,453,649	-	-	-
Other receipts	6,198	8,139	37,765	-	10,050	-
Total receipts	<u>6,198</u>	<u>8,139</u>	<u>1,491,414</u>	<u>-</u>	<u>10,050</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	65	15,678	-	-
Utility operating expenses	-	-	1,466,589	-	5,550	-
Other disbursements	5,406	7,824	13,273	-	-	-
Total disbursements	<u>5,406</u>	<u>7,824</u>	<u>1,479,927</u>	<u>15,678</u>	<u>5,550</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>792</u>	<u>315</u>	<u>11,487</u>	<u>(15,678)</u>	<u>4,500</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,189</u>	<u>\$ 317</u>	<u>\$ 711,133</u>	<u>\$ 135,923</u>	<u>\$ 40,106</u>	<u>\$ 32,340</u>

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

	Sewage Operating	CSO CDBG Sewer Project 2010	Sewage Capital	Sewage Bond and Interest	Sewage Debt Service Reserve	Water Operating
Cash and investments - beginning	\$ 388,575	\$ -	\$ (945)	\$ 7,974	\$ 85,513	\$ 224,293
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	548,313	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	429,620	-	-	-	-	221,740
Other receipts	3,741	-	-	85,013	-	45,834
Total receipts	<u>433,361</u>	<u>548,313</u>	<u>-</u>	<u>85,013</u>	<u>-</u>	<u>267,574</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	85,013	-	-
Capital outlay	22,520	520,897	-	-	-	311
Utility operating expenses	288,782	-	-	-	-	143,018
Other disbursements	89,630	27,416	-	-	-	158,927
Total disbursements	<u>400,932</u>	<u>548,313</u>	<u>-</u>	<u>85,013</u>	<u>-</u>	<u>302,256</u>
Excess (deficiency) of receipts over disbursements	<u>32,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(34,682)</u>
Cash and investments - ending	<u>\$ 421,004</u>	<u>\$ -</u>	<u>\$ (945)</u>	<u>\$ 7,974</u>	<u>\$ 85,513</u>	<u>\$ 189,611</u>

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

	Water Bond and Interest	Water Depreciation	Water Debt Service Reserve	Sales Tax	Water Cash Reserve	Totals
Cash and investments - beginning	\$ 33,990	\$ 64,508	\$ 81,000	\$ (855)	\$ 5,715	\$ 2,177,583
Receipts:						
Taxes	-	-	-	-	-	232,871
Licenses and permits	-	-	-	-	-	1,153
Intergovernmental	-	-	-	-	-	1,056,759
Charges for services	-	-	-	-	-	99,704
Fines and forfeits	-	-	-	-	-	1,145
Utility fees	-	-	-	-	-	2,105,009
Other receipts	95,768	31,062	-	76,660	-	609,578
Total receipts	<u>95,768</u>	<u>31,062</u>	<u>-</u>	<u>76,660</u>	<u>-</u>	<u>4,106,219</u>
Disbursements:						
Personal services	-	-	-	-	-	372,535
Supplies	-	-	-	-	-	13,923
Other services and charges	-	-	-	-	-	312,585
Debt service - principal and interest	96,675	-	-	-	-	181,688
Capital outlay	-	44,626	-	-	-	697,199
Utility operating expenses	-	-	-	81,063	-	1,985,002
Other disbursements	-	-	-	-	-	429,377
Total disbursements	<u>96,675</u>	<u>44,626</u>	<u>-</u>	<u>81,063</u>	<u>-</u>	<u>3,992,309</u>
Excess (deficiency) of receipts over disbursements	<u>(907)</u>	<u>(13,564)</u>	<u>-</u>	<u>(4,403)</u>	<u>-</u>	<u>113,910</u>
Cash and investments - ending	<u>\$ 33,083</u>	<u>\$ 50,944</u>	<u>\$ 81,000</u>	<u>\$ (5,258)</u>	<u>\$ 5,715</u>	<u>\$ 2,291,493</u>

TOWN OF SOUTH WHITLEY  
 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
Business-type Activities:		
Water Utility		
Revenue bonds:		
2004 Water improvements	\$ 365,000	\$ 98,895
Wastewater Utility		
Capital leases:		
2010 Vactor truck	69,412	24,988
Revenue bonds:		
1999 Wastewater improvements	580,000	16,256
 Total Wastewater Utility	 649,412	 41,244
 Total business-type activities long-term debt	 \$ 1,014,412	 \$ 140,139

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

Capital asset records for the Town, Electric Utility, Water Utility, and Wastewater Utility were not presented for audit. A similar comment appeared in prior Report B38095.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable 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)

***TIMELY RECORDKEEPING***

Interest earned on the Town's preferred liquidity savings account from October 1, 2009 through June 30, 2011, has not been posted to the records. A similar comment appeared in prior Report B38095.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with Indiana Code 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***USE OF DEBIT CARD***

The Town is using a debit card to purchase items. As a result, payments are being made prior to the approval of the claims. A similar comment appeared in prior Report B38095.

Indiana Code 5-11-10-1.6(d) states in part:

"The fiscal officer of a governmental entity shall issue checks or warrants for claims by the governmental entity that meet all of the requirements of this section."

Indiana Code 5-11-10-2(a) states:

"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 of this chapter), the claim must be certified by the fiscal officer."

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***RECORD INFORMATION***

The detailed customer deposit register was not maintained during the audit period. A similar comment appeared in prior Report B38095.

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS  
(Continued)

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)

At all times, the manual and/or 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)

***OVERDRAWN CASH BALANCES***

The cash balances of the Motor Vehicle Highway Fund (\$458), Police Training and Equipment Fund (\$86), Sewage Capital Fund (\$945), and Sales Tax Fund (\$5,258) were overdrawn at December 31, 2010. A similar comment appeared in prior Report B38095.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***COMPOSITION OF RECEIPT DEPOSITS***

Checks issued to replenish petty cash were substituted for cash collected for utility payments. As a result, the composition (cash, check, money order) of deposits could not be verified to the original receipts making up the deposits. A similar comment appeared in prior Report B38905.

Public funds deposited should be deposited in the same form in which they were received. This simply means all daily receipts received by the political subdivision should be deposited intact. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS***

Form URT-1, Indiana Utility Receipts Tax Return, was not filed for 2010. A similar comment appeared in prior Report B38095.

The W-2 forms (Wage and Tax Statement) filed for 2010 were inaccurate for a majority of the Town's employees. An additional weekly payroll was erroneously included in the software that was used to process the W-2s. Employees were not paid for this additional payroll, but it was reported on the form W-2 and 941 (Employer's Quarterly Federal Tax Return) for the fourth quarter of 2010.

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

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**CONDITION OF RECORDS**

The following deficiencies relating to the recordkeeping were present during our period of audit:

1. Record balances were not reconciled to depository balances for the months of July through December of 2010. At December 31, 2010, the "reconciled" bank balance was \$15,617 long of the record balance.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

2. There were a considerable number of posting errors. These errors included receipts posted to incorrect funds, interest not posted, fund transfers for payroll withholdings not receipted to corresponding payroll withholding funds, payroll withholdings paid from the General Fund, and bank electronic fund transfers not posted accurately to payroll withholding funds.

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)

3. The Clerk-Treasurer's Annual Report (CTAR) was inaccurate and incomplete for 2010.

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)

**OVERPAYMENT COLLECTIONS**

June 2010 sales tax collections were remitted to the Indiana Department of Revenue by electronic fund transfer on July 7, 2010, for \$4,925 and again on July 18, 2010, by check for \$4,925. As of August 8, 2011, this duplicate payment has not been refunded.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

**PENALTIES, INTEREST, AND OTHER CHARGES**

State and local income tax withholdings for September 2010 were not remitted until January 19, 2011. Penalties totaling \$266 were waived; however, interest of \$20 was paid to the Indiana Department of Revenue for the late remittance.

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS  
(Continued)

Numerous vendors were paid late during the audit period. Late fees, finance charges, etc., were incurred. Some of the charges were credited or waived, however, others were subsequently paid. Finance charges totaling \$105 were paid to three different vendors.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***CASH DISBURSEMENTS***

On December 16, 2010, a check for \$1,825 was written to cash. The cash was then distributed as a Christmas bonus to all Town employees, including the Town Council. The cash disbursement was posted to various promotional accounts. The Town has not established an ordinance concerning the use of promotional accounts. In addition, signatures were not obtained to verify that the cash was received by the employees, nor were the amounts distributed included in the payroll system.

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***SUPPORTING DOCUMENTATION***

Several debit card transactions and petty cash disbursements were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records 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)

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS  
(Continued)

***CLAIM APPROVAL***

Numerous claims paid during 2010 did not have approval of the Town Council and were not certified by the Clerk-Treasurer.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

***PUBLIC RECORDS RETENTION***

Bid documents for the \$750,451 storm water improvement project with API Construction Corp. were not presented for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records 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)

***TIME RECORDS***

Town employee time records (excluding police department) were not signed by the department head or other approving official verifying hours worked.

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)

TOWN OF SOUTH WHITLEY  
AUDIT RESULTS AND COMMENTS  
(Continued)

**SALES TAX**

Sales tax was paid on numerous purchases made with the Town debit card.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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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 SOUTH WHITLEY, WHITLEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of South Whitley (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 year ended December 31, 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

August 8, 2011

TOWN OF SOUTH WHITLEY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 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
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs CDBG - State Administered Small Cities Program Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-024	\$ <u>530,897</u>
Total federal awards expended			\$ <u><u>530,897</u></u>

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

TOWN OF SOUTH WHITLEY  
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 South Whitley 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.

TOWN OF SOUTH WHITLEY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies 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 \_\_\_\_\_  
CDBG – State Administered Small Cities Program Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

No matters are reportable.

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

No matters are reportable.

TOWN OF SOUTH WHITLEY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SOUTH WHITLEY  
EXIT CONFERENCE

The contents of this report were discussed on August 8, 2011, with Mitchel J. Winger, Clerk-Treasurer, and John M. Dunn, President of the Town Council. The officials concurred with our audit findings.