

B40448

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SHELburn
SULLIVAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
05/30/2012

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-4
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	5-6
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8-9
Notes to Financial Statements	10-14
Supplementary Information:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-23
Audit Results and Comments:	
Internal Controls	24
Prescribed Forms	24
Errors on Claims	24-25
Fund Sources and Uses	25
Official Bonds.....	25
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	28-29
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards.....	33
Schedule of Findings and Questioned Costs	34-35
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	36
Corrective Action Plan.....	37
Exit Conference.....	38

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Noah Jay Southwood	01-01-08 to 12-31-15
President of the Town Council	James Ward	01-01-10 to 12-31-12
Superintendent of Water Utility	Rodney Clouse (Vacant) Floyd-Hunter Environmental, LLP	01-01-10 to 12-20-10 12-21-10 to 12-31-10 01-01-11 to 12-31-12
Superintendent of Wastewater Utility	Gary Steele Floyd-Hunter Environmental, LLP	01-01-10 to 03-31-10 04-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHELburn, SULLIVAN COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Shelburn (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 opinions.

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, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 19, 2012, 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
(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 Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis are presented for additional analysis and are not required parts of the financial statements. They 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, 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

April 19, 2012



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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 SHELburn, SULLIVAN COUNTY, INDIANA

We have audited the financial statements of the Town of Shelburn (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated April 19, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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, 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

April 19, 2012

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 5,770	\$ 185,155	\$ 186,300	\$ 4,625
Motor Vehicle Highway	5,048	35,362	33,856	6,554
Local Road And Street	6,803	12,711	13,357	6,157
Police Accident Report	111	5	-	116
Firearm's Training	1,703	1,341	1,113	1,931
EDIT	22,804	58,903	70,807	10,900
Ordinance Violation	44	60	-	104
Energy Efficiency And Conservation Grant	-	59,719	96,160	(36,441)
Continuing Education	173	-	-	173
Riverboat Revenue Sharing	-	7,935	7,935	-
Park & Recreation	784	520	316	988
Community Building Fund	1,577	4,250	3,447	2,380
Rainy Day	-	9,466	-	9,466
Levy Excess	-	215	-	215
Police Equipment Donation	22	-	-	22
Cumulative Capital Improvement	1,998	3,713	3,780	1,931
Cumulative Capital Development	1,173	2,244	2,488	929
Payroll	2,082	252,196	252,035	2,243
Storm Water Operating	7,688	79,334	81,298	5,724
Storm Water Bond And Interest	25,211	43,388	41,237	27,362
Stormwater Depreciation	925	3,781	-	4,706
Stormwater Debt Service Reserve	20,904	8,650	-	29,554
Sewage Operating	89,070	293,348	247,538	134,880
Sewage Bond And Interest	-	46,931	46,931	-
Sewage Depreciation	1,220	11,629	8,732	4,117
Sullivan Sewage Account	-	15,501	15,501	-
Water Operating	92,042	740,257	798,966	33,333
Water Bond And Interest	-	162,539	162,539	-
Water Depreciation	4,869	18,626	13,732	9,763
Water Meter Deposit	56,355	10,855	13,451	53,759
Water Debt Service Reserve	163,650	-	-	163,650
Totals	<u>\$ 512,026</u>	<u>\$ 2,068,634</u>	<u>\$ 2,101,519</u>	<u>\$ 479,141</u>

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

TOWN OF SHELburn
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General Fund	\$ 4,625	\$ 183,790	\$ 186,227	\$ 2,188
Motor Vehicle Highway	6,554	33,907	35,048	5,413
Local Road and Street	6,157	14,278	12,733	7,702
Continuing Education	173	-	112	61
Park & Recreation	988	280	-	1,268
Rainy Day	9,466	-	-	9,466
Levy Excess	215	-	215	-
Cumulative Capital Improvement	1,931	3,641	2,229	3,343
Cumulative Capital Development	929	2,213	648	2,494
Riverboat Revenue Sharing	-	7,935	7,935	-
Police Equipment Donation	22	-	-	22
Police Accident Report	116	10	-	126
Firearm's Training	1,931	410	1,123	1,218
Community Building Fund	2,380	4,450	3,863	2,967
Ordinance Violation	104	-	-	104
Interurban Improvement	-	1,604	-	1,604
Interurban Improvement Grant	-	2,480	-	2,480
Energy Efficiency and Conservation Grant	(36,441)	36,441	-	-
EDIT	10,900	54,145	58,191	6,854
Cherry Dale TIF District	-	8,463	6,000	2,463
Payroll	2,243	246,215	245,773	2,685
Storm Water Operating	5,724	73,132	57,512	21,344
Storm Water Bond and Interest	27,362	39,772	40,866	26,268
Storm Water Depreciation	4,706	4,271	-	8,977
Storm Water Debt Service Reserve	29,554	8,650	-	38,204
Sewage Operating	134,880	337,514	332,479	139,915
Sewage Bond and Interest	-	110,608	46,903	63,705
Sewage Depreciation	4,117	17,235	7,141	14,211
Sullivan Sewage Account	-	20,785	20,785	-
Sewage Construction	-	2,035,646	2,035,556	90
Water Operating	33,333	801,993	808,682	26,644
Water Bond and Interest	-	161,559	161,559	-
Water Depreciation	9,763	26,109	11,105	24,767
Water Meter Deposit	53,759	9,053	7,444	55,368
Water Debt Service Reserve	163,650	-	-	163,650
Totals	<u>\$ 479,141</u>	<u>\$ 4,246,589</u>	<u>\$ 4,090,129</u>	<u>\$ 635,601</u>

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

TOWN OF SHELburn
NOTES TO FINANCIAL STATEMENTS

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), highways and streets, culture and recreation, public improvements, general administrative services, water, wastewater, and storm water.

The accompanying financial statements 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 include 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 SHELburn
NOTES TO FINANCIAL STATEMENTS
(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 include 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 SHELburn
NOTES TO FINANCIAL STATEMENTS
(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 SHELburn
NOTES TO FINANCIAL STATEMENTS
(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 any 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 Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF SHELBURN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Police Accident Report	Firearm's Training	EDIT	Ordinance Violation	Energy Efficiency And Conservation Grant
Cash and investments - beginning	\$ 5,770	\$ 5,048	\$ 6,803	\$ 111	\$ 1,703	\$ 22,804	\$ 44	\$ -
Receipts:								
Taxes	64,459	-	-	-	-	-	-	-
Intergovernmental	20,972	33,657	12,711	-	-	57,594	-	59,719
Charges for services	2,006	-	-	5	440	-	-	-
Fines and forfeits	16	-	-	-	-	-	60	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	97,702	1,705	-	-	901	1,309	-	-
Total receipts	185,155	35,362	12,711	5	1,341	58,903	60	59,719
Disbursements:								
Personal services	38,427	19,353	-	-	-	-	-	-
Supplies	5,403	6,836	982	-	313	5,900	-	-
Other services and charges	137,764	7,667	-	-	150	64,907	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	4,706	-	12,375	-	650	-	-	56,500
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	39,660
Total disbursements	186,300	33,856	13,357	-	1,113	70,807	-	96,160
Excess (deficiency) of receipts over disbursements	(1,145)	1,506	(646)	5	228	(11,904)	60	(36,441)
Cash and investments - ending	\$ 4,625	\$ 6,554	\$ 6,157	\$ 116	\$ 1,931	\$ 10,900	\$ 104	\$ (36,441)

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

	Continuing Education	Riverboat Revenue Sharing	Park & Recreation	Community Building Fund	Rainy Day	Levy Excess	Police Equipment Donation	Cumulative Capital Improvement
Cash and investments - beginning	\$ 173	\$ -	\$ 784	\$ 1,577	\$ -	\$ -	\$ 22	\$ 1,998
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Intergovernmental	-	7,935	-	-	-	-	-	3,713
Charges for services	-	-	520	4,250	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	9,466	215	-	-
Total receipts	-	7,935	520	4,250	9,466	215	-	3,713
Disbursements:								
Personal services	-	-	-	141	-	-	-	-
Supplies	-	4,085	316	-	-	-	-	-
Other services and charges	-	3,850	-	3,306	-	-	-	3,089
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	691
Total disbursements	-	7,935	316	3,447	-	-	-	3,780
Excess (deficiency) of receipts over disbursements	-	-	204	803	9,466	215	-	(67)
Cash and investments - ending	\$ 173	\$ -	\$ 988	\$ 2,380	\$ 9,466	\$ 215	\$ 22	\$ 1,931

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

	Cumulative Capital Development	Payroll	Storm Water Operating	Storm Water Bond And Interest	Stormwater Depreciation	Stormwater Debt Service Reserve	Sewage Operating	Sewage Bond And Interest
Cash and investments - beginning	\$ 1,173	\$ 2,082	\$ 7,688	\$ 25,211	\$ 925	\$ 20,904	\$ 89,070	\$ -
Receipts:								
Taxes	1,795	-	-	-	-	-	-	-
Intergovernmental	449	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	77,858	-	-	-	233,854	-
Penalties	-	-	1,476	-	-	-	30	-
Other receipts	-	252,196	-	43,388	3,781	8,650	59,464	46,931
Total receipts	2,244	252,196	79,334	43,388	3,781	8,650	293,348	46,931
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	2,488	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	41,237	-	-	21,269	46,931
Capital outlay	-	-	4,069	-	-	-	3,296	-
Utility operating expenses	-	-	20,280	-	-	-	127,299	-
Other disbursements	-	252,035	56,949	-	-	-	95,674	-
Total disbursements	2,488	252,035	81,298	41,237	-	-	247,538	46,931
Excess (deficiency) of receipts over disbursements	(244)	161	(1,964)	2,151	3,781	8,650	45,810	-
Cash and investments - ending	\$ 929	\$ 2,243	\$ 5,724	\$ 27,362	\$ 4,706	\$ 29,554	\$ 134,880	\$ -

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

	Sewage Depreciation	Sullivan Sewage Account	Water Operating	Water Bond And Interest	Water Depreciation	Water Meter Deposit	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 1,220	\$ -	\$ 92,042	\$ -	\$ 4,869	\$ 56,355	\$ 163,650	\$ 512,026
Receipts:								
Taxes	-	-	-	-	-	-	-	66,254
Intergovernmental	-	-	-	-	-	-	-	196,750
Charges for services	-	-	-	-	-	-	-	7,221
Fines and forfeits	-	-	-	-	-	-	-	76
Utility fees	-	15,501	677,274	-	4,236	-	-	1,008,723
Penalties	-	-	3,705	-	-	-	-	5,211
Other receipts	11,629	-	59,278	162,539	14,390	10,855	-	784,399
Total receipts	11,629	15,501	740,257	162,539	18,626	10,855	-	2,068,634
Disbursements:								
Personal services	-	-	-	-	-	-	-	57,921
Supplies	-	-	-	-	-	-	-	26,323
Other services and charges	-	-	-	-	-	-	-	220,733
Debt service - principal and interest	-	-	4,846	162,539	-	-	-	276,822
Capital outlay	4,210	-	47,443	-	-	-	-	133,249
Utility operating expenses	4,522	-	468,289	-	12,932	13,451	-	646,773
Other disbursements	-	15,501	278,388	-	800	-	-	739,698
Total disbursements	8,732	15,501	798,966	162,539	13,732	13,451	-	2,101,519
Excess (deficiency) of receipts over disbursements	2,897	-	(58,709)	-	4,894	(2,596)	-	(32,885)
Cash and investments - ending	\$ 4,117	\$ -	\$ 33,333	\$ -	\$ 9,763	\$ 53,759	\$ 163,650	\$ 479,141

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road and Street	Continuing Education	Park & Recreation	Rainy Day	Levy Excess	Cumulative Capital Improvement	Cumulative Capital Development
Cash and investments - beginning	\$ 4,625	\$ 6,554	\$ 6,157	\$ 173	\$ 988	\$ 9,466	\$ 215	\$ 1,931	\$ 929
Receipts:									
Taxes	69,131	-	8,596	-	-	-	-	-	1,791
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	17,830	33,187	5,682	-	-	-	-	3,641	422
Charges for services	-	-	-	-	280	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	96,829	720	-	-	-	-	-	-	-
Total receipts	<u>183,790</u>	<u>33,907</u>	<u>14,278</u>	<u>-</u>	<u>280</u>	<u>-</u>	<u>-</u>	<u>3,641</u>	<u>2,213</u>
Disbursements:									
Personal services	38,652	18,686	-	-	-	-	-	-	-
Supplies	5,889	9,361	863	-	-	-	-	298	648
Other services and charges	50,244	7,001	-	112	-	-	-	1,931	-
Debt service - principal and interest	8,532	-	11,870	-	-	-	-	-	-
Capital outlay	2,910	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	80,000	-	-	-	-	-	215	-	-
Total disbursements	<u>186,227</u>	<u>35,048</u>	<u>12,733</u>	<u>112</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>2,229</u>	<u>648</u>
Excess (deficiency) of receipts over disbursements	<u>(2,437)</u>	<u>(1,141)</u>	<u>1,545</u>	<u>(112)</u>	<u>280</u>	<u>-</u>	<u>(215)</u>	<u>1,412</u>	<u>1,565</u>
Cash and investments - ending	<u>\$ 2,188</u>	<u>\$ 5,413</u>	<u>\$ 7,702</u>	<u>\$ 61</u>	<u>\$ 1,268</u>	<u>\$ 9,466</u>	<u>\$ -</u>	<u>\$ 3,343</u>	<u>\$ 2,494</u>

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Riverboat Revenue Sharing	Police Equipment Donation	Police Accident Report	Firearm's Training	Community Building Fund	Ordinance Violation	Interurban Improvement	Interurban Improvement Grant	Energy Efficiency and Conservation Grant
Cash and investments - beginning	\$ -	\$ 22	\$ 116	\$ 1,931	\$ 2,380	\$ 104	\$ -	\$ -	\$ (36,441)
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	410	-	-	-	-	-
Intergovernmental	7,935	-	-	-	-	-	-	2,480	36,441
Charges for services	-	-	10	-	4,450	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	1,604	-	-
Total receipts	7,935	-	10	410	4,450	-	1,604	2,480	36,441
Disbursements:									
Personal services	-	-	-	-	1,399	-	-	-	-
Supplies	-	-	-	267	242	-	-	-	-
Other services and charges	7,935	-	-	-	2,222	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	856	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	7,935	-	-	1,123	3,863	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	-	10	(713)	587	-	1,604	2,480	36,441
Cash and investments - ending	\$ -	\$ 22	\$ 126	\$ 1,218	\$ 2,967	\$ 104	\$ 1,604	\$ 2,480	\$ -

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	EDIT	Cherry Dale TIF District	Payroll	Storm Water Operating	Storm Water Bond and Interest	Storm Water Depreciation	Storm Water Debt Service Reserve	Sewage Operating	Sewage Bond and Interest
Cash and investments - beginning	\$ 10,900	\$ -	\$ 2,243	\$ 5,724	\$ 27,362	\$ 4,706	\$ 29,554	\$ 134,880	\$ -
Receipts:									
Taxes	-	8,463	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	53,250	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	71,385	-	-	-	263,696	-
Penalties	-	-	-	1,695	-	-	-	6	-
Other receipts	895	-	246,215	52	39,772	4,271	8,650	73,812	110,608
Total receipts	54,145	8,463	246,215	73,132	39,772	4,271	8,650	337,514	110,608
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	9,491	-	-	-	-	-	-	-	-
Other services and charges	45,700	6,000	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	40,866	-	-	23,936	39,000
Capital outlay	-	-	-	-	-	-	-	1,450	-
Utility operating expenses	-	-	-	4,819	-	-	-	179,250	7,903
Other disbursements	3,000	-	245,773	52,693	-	-	-	127,843	-
Total disbursements	58,191	6,000	245,773	57,512	40,866	-	-	332,479	46,903
Excess (deficiency) of receipts over disbursements	(4,046)	2,463	442	15,620	(1,094)	4,271	8,650	5,035	63,705
Cash and investments - ending	\$ 6,854	\$ 2,463	\$ 2,685	\$ 21,344	\$ 26,268	\$ 8,977	\$ 38,204	\$ 139,915	\$ 63,705

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Sewage Depreciation	Sullivan Sewage Account	Sewage Construction	Water Operating	Water Bond and Interest	Water Depreciation	Water Meter Deposit	Water Debt Service Reserve	Totals
Cash and investments - beginning	\$ 4,117	\$ -	\$ -	\$ 33,333	\$ -	\$ 9,763	\$ 53,759	\$ 163,650	\$ 479,141
Receipts:									
Taxes	-	-	-	-	-	-	-	-	87,981
Licenses and permits	-	-	-	-	-	-	-	-	410
Intergovernmental	-	-	2,035,646	-	-	-	-	-	2,196,514
Charges for services	-	-	-	-	-	-	-	-	4,740
Utility fees	-	20,785	-	691,082	-	4,533	9,053	-	1,060,534
Penalties	-	-	-	3,542	-	-	-	-	5,243
Other receipts	17,235	-	-	107,369	161,559	21,576	-	-	891,167
Total receipts	17,235	20,785	2,035,646	801,993	161,559	26,109	9,053	-	4,246,589
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	58,737
Supplies	-	-	-	-	-	-	-	-	27,059
Other services and charges	-	-	-	-	-	-	-	-	121,145
Debt service - principal and interest	-	-	-	18,018	161,559	-	-	-	303,781
Capital outlay	-	-	-	5,756	-	-	-	-	10,972
Utility operating expenses	7,141	20,785	2,035,556	603,719	-	11,105	7,444	-	2,877,722
Other disbursements	-	-	-	181,189	-	-	-	-	690,713
Total disbursements	7,141	20,785	2,035,556	808,682	161,559	11,105	7,444	-	4,090,129
Excess (deficiency) of receipts over disbursements	10,094	-	90	(6,689)	-	15,004	1,609	-	156,460
Cash and investments - ending	\$ 14,211	\$ -	\$ 90	\$ 26,644	\$ -	\$ 24,767	\$ 55,368	\$ 163,650	\$ 635,601

TOWN OF SHELburn
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

We noted a deficiency in the internal control system of the Town of Shelburn related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of operations to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts and cash and investment balances. The Clerk-Treasurer is responsible for collecting cash, issuing receipts, making deposits, posting receipts, and performing monthly bank reconciliements. The failure to establish controls segregating duties could enable material misstatements or irregularities to remain undetected.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following approved form, while always in use, was not always properly used: Clerk-Treasurer's Receipt, Town Form 217.

Of 60 receipts tested, the incorrect payment type was noted on 7 of the receipts, making it difficult to verify that funds were being deposited intact.

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)

ERRORS ON CLAIMS

The following deficiency was noted on claims during the audit period:

The Fiscal Officer did not always audit and certify before payment that the invoice or bill was true and correct.

Of 60 claims tested, 45 had not been certified by the Fiscal Officer.

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:

TOWN OF SHELburn
AUDIT RESULTS AND COMMENTS
(Continued)

- (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."

FUND SOURCES AND USES

Funds were disbursed from the Motor Vehicle Highway Fund for law enforcement purposes. However, the amount disbursed in 2010 and 2011 exceeded the 15 percent statutory limit by \$1,985 and \$2,222, respectively.

Indiana Code 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS

The Town's official bonds during the audit period were bound to the Town of Shelburn, not to the State of Indiana.

Indiana Code 5-4-1-10 states:

"All official bonds shall be payable to the state of Indiana; and every such bond shall be obligatory to such state, upon the principal and sureties, for the faithful discharge of all duties required of such officer by any law, then or subsequently in force, for the use of any person injured by any breach of the condition thereof."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF SHELburn, SULLIVAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Shelburn (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2010 and 2011. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs 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 each of its major federal programs for the years ended December 31, 2010 and 2011.

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 THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON 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.

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

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

April 19, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying notes presented were approved by management of the Town. The schedule and notes are presented as intended by the Town.

TOWN OF SHELburn
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ -	\$ 471,860
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State Administered CDBG Cluster				
Community Development Block Grants/State's Program	14.228			
and Non-Entitlement Grants in Hawaii				
Disaster Relief		DR2-09-133	2,320	1,563,697
<u>U.S. DEPARTMENT OF ENERGY</u>				
Pass-Through Indiana Office of Energy Development				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128		64,969	36,441
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
		1766-DR	3,411	-
Total federal awards expended			<u>\$ 70,700</u>	<u>\$ 2,071,998</u>

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

TOWN OF SHELburn
NOTES 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 Shelburn (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 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.

Note 2. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2011. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2010	2011
Water and Waste Disposal Systems for Rural Communities	10.760	\$ -	\$ 471,950

TOWN OF SHELburn
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
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:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities CDBG – 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
--	----

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

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROL OVER FINANCIAL REPORTING

Internal Controls

We noted a deficiency in the internal control system of the Town of Shelburn related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of operations to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts and cash and investment balances. The Clerk-Treasurer is responsible for collecting cash, issuing receipts, making deposits, posting receipts, and performing monthly bank reconciliements. The failure to establish controls segregating duties could enable material misstatements or irregularities to remain undetected.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SHELBURN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

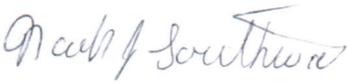
TOWN OF SHELburn
15 NORTH RAILROAD STREET
SHELburn, INDIANA 47879

May 7, 2012

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

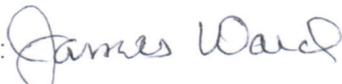
We are providing this letter in connection with your audit of the financial statements of the Town of Shelburn as of December 31, 2011, and for the two year period then ended, for the purpose of providing a corrective action plan for Finding 2011-1, Internal Control Over Financial Reporting.

In order to improve the segregation of duties, thereby strengthening internal controls, we agree to have a member of the Town Council review, initial, and approve the monthly bank reconciliements. Town officials will review office procedures and attempt to institute duties which would involve review of work performed by the Clerk-Treasurer by the Town Council. However, the Town is a small governmental unit, and management has determined that the cost associated with employing additional staff in order to adequately segregate duties is cost prohibitive. Management acknowledges and assumes the risk inherent with the current set up of its Town office.

Signed: 

Title: Clerk-Treasurer

Date: May 7, 2012

Signed: 

Title: Town Council President

Date: May 7, 2012

TOWN OF SHELBURN
EXIT CONFERENCE

The contents of this report were discussed on April 19, 2012, with Noah Jay Southwood, Clerk-Treasurer, and James Ward, President of the Town Council. The officials concurred with our audit findings.