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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF HOPE
BARTHOLOMEW COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
07/13/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Robertson	01-01-2008 to 12-31-2012
President of the Town Council	Shawn Lange Jonathan Titus	01-01-2010 to 12-31-2011 01-01-2011 to 12-31-2012



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Hope (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 June 14, 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.

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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 and Schedule of Leases and Debt 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

June 14, 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 HOPE, BARTHOLOMEW COUNTY, INDIANA

We have audited the financial statements of the Town of Hope (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 14, 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 deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

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

June 14, 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 HOPE
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	\$ 147,581	\$ 351,151	\$ 397,671	\$ 101,061
MVH	201,378	59,180	73,628	186,930
Local Road & Street	108,944	23,019	45,526	86,437
Park Operating Fund	125	-	-	125
LLECE	15,921	2,027	2,792	15,156
Riverboat Tax Sharing	36,527	13,392	4,002	45,917
Rainy Day	2,580	9,048	-	11,628
CCD	51,073	8,602	2,941	56,734
CCI	36,778	6,266	1,667	41,377
General Levy Excess	-	755	-	755
Housing Revolving Loan	10,569	-	-	10,569
CEDIT	-	131,552	73,693	57,859
Payroll	(1,910)	373,198	362,129	9,159
Stormwater Operating	110,505	32,830	115,407	27,928
Stormwater Improvement	-	75,000	50	74,950
Sewer Operating	166,715	295,231	237,815	224,131
Sewer Bond Transfer Fund	-	42,160	42,160	-
Sewer Improvement	1,080	-	1,080	-
Sewer Customer Deposits	31,400	7,300	5,250	33,450
Stormwater Debt Reserve	63,133	938	-	64,071
Water Operating	530,402	337,447	340,576	527,273
Water Bond Transfer	-	34,325	34,325	-
Water Consumer Deposit	37,549	7,175	5,656	39,068
Totals	<u>\$ 1,550,350</u>	<u>\$ 1,810,596</u>	<u>\$ 1,746,368</u>	<u>\$ 1,614,578</u>

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

TOWN OF HOPE
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	\$ 101,061	\$ 409,299	\$ 435,945	\$ 74,415
MVH	186,930	59,472	77,244	169,158
Local Road & Street	86,437	20,749	46,611	60,575
Park Operating Fund	125	-	-	125
LLECE	15,156	1,254	5,774	10,636
Riverboat Tax Sharing	45,917	13,391	7,408	51,900
Rainy Day	11,628	-	1,900	9,728
CCD	56,734	10,254	28,260	38,728
CCI	41,377	6,146	-	47,523
General Levy Excess	755	-	-	755
Housing Revolving Loan	10,569	627	-	11,196
CEDIT	57,859	105,079	106,444	56,494
Payroll	9,159	378,141	376,222	11,078
Stormwater Operating	27,928	98,055	2,139	123,844
Stormwater Improvement	74,950	644,908	701,232	18,626
Sewer Operating	224,131	294,243	213,023	305,351
Sewer Customer Deposits	33,450	7,350	4,900	35,900
Stormwater Debt Reserve	64,071	246,765	276,572	34,264
Water Operating	527,273	343,549	368,318	502,504
Water Bond Transfer	-	33,663	33,663	-
Water Consumer Deposit	39,068	7,315	4,936	41,447
Totals	<u>\$ 1,614,578</u>	<u>\$ 2,680,260</u>	<u>\$ 2,690,591</u>	<u>\$ 1,604,247</u>

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

TOWN OF HOPE
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 and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and storm water.

The accompanying financial statements present the financial information for the Town.

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 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.

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,

TOWN OF HOPE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Penalties which include fees received for late payments.

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 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.

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

TOWN OF HOPE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 HOPE
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.

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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 audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

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

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

	General	MVH	Local Road & Street	Park Operating Fund	LLECE	Riverboat Tax Sharing
Cash and investments - beginning	\$ 147,581	\$ 201,378	\$ 108,944	\$ 125	\$ 15,921	\$ 36,527
Receipts:						
Taxes	221,872	-	-	-	-	-
Licenses and permits	2,246	-	-	-	1,290	-
Intergovernmental	104,265	54,617	22,141	-	-	13,392
Charges for services	1,139	-	600	-	192	-
Fines and forfeits	1,604	-	-	-	545	-
Utility fees	-	-	-	-	-	-
Other receipts	20,025	4,563	278	-	-	-
Total receipts	<u>351,151</u>	<u>59,180</u>	<u>23,019</u>	<u>-</u>	<u>2,027</u>	<u>13,392</u>
Disbursements:						
Personal services	233,726	32,260	-	-	1,425	-
Supplies	34,439	11,591	45,526	-	1,367	-
Other services and charges	115,152	22,723	-	-	-	4,002
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	14,354	7,054	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>397,671</u>	<u>73,628</u>	<u>45,526</u>	<u>-</u>	<u>2,792</u>	<u>4,002</u>
Excess (deficiency) of receipts over disbursements	<u>(46,520)</u>	<u>(14,448)</u>	<u>(22,507)</u>	<u>-</u>	<u>(765)</u>	<u>9,390</u>
Cash and investments - ending	<u>\$ 101,061</u>	<u>\$ 186,930</u>	<u>\$ 86,437</u>	<u>\$ 125</u>	<u>\$ 15,156</u>	<u>\$ 45,917</u>

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

	Rainy Day	General Levy Excess	Housing Revolving Loan	CEDIT	CCD	CCI
Cash and investments - beginning	\$ 2,580	\$ -	\$ 10,569	\$ -	\$ 51,073	\$ 36,778
Receipts:						
Taxes	-	755	-	-	7,870	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	131,552	732	6,266
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	9,048	-	-	-	-	-
Total receipts	<u>9,048</u>	<u>755</u>	<u>-</u>	<u>131,552</u>	<u>8,602</u>	<u>6,266</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	73,693	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	2,941	1,667
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,693</u>	<u>2,941</u>	<u>1,667</u>
Excess (deficiency) of receipts over disbursements	<u>9,048</u>	<u>755</u>	<u>-</u>	<u>57,859</u>	<u>5,661</u>	<u>4,599</u>
Cash and investments - ending	<u>\$ 11,628</u>	<u>\$ 755</u>	<u>\$ 10,569</u>	<u>\$ 57,859</u>	<u>\$ 56,734</u>	<u>\$ 41,377</u>

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

	Payroll	Stormwater Operating	Stormwater Improvement	Sewer Operating	Sewer Bond Transfer Fund	Sewer Improvement
Cash and investments - beginning	\$ (1,910)	\$ 110,505	\$ -	\$ 166,715	\$ -	\$ 1,080
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	32,830	-	291,161	-	-
Other receipts	373,198	-	75,000	4,070	42,160	-
Total receipts	373,198	32,830	75,000	295,231	42,160	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	38,647	42,160	-
Capital outlay	-	-	-	478	-	1,080
Utility operating expenses	-	-	-	198,341	-	-
Other disbursements	362,129	115,407	50	349	-	-
Total disbursements	362,129	115,407	50	237,815	42,160	1,080
Excess (deficiency) of receipts over disbursements	11,069	(82,577)	74,950	57,416	-	(1,080)
Cash and investments - ending	\$ 9,159	\$ 27,928	\$ 74,950	\$ 224,131	\$ -	\$ -

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

	Sewer Customer Deposits	Stormwater Debt Reserve	Water Operating	Water Bond Transfer	Water Consumer Deposit	Totals
Cash and investments - beginning	\$ 31,400	\$ 63,133	\$ 530,402	\$ -	\$ 37,549	\$ 1,550,350
Receipts:						
Taxes	-	-	-	-	-	230,497
Licenses and permits	-	-	-	-	-	3,536
Intergovernmental	-	-	-	-	-	332,965
Charges for services	-	-	-	-	-	1,931
Fines and forfeits	-	-	-	-	-	2,149
Utility fees	-	-	327,334	-	-	651,325
Other receipts	7,300	938	10,113	34,325	7,175	588,193
Total receipts	<u>7,300</u>	<u>938</u>	<u>337,447</u>	<u>34,325</u>	<u>7,175</u>	<u>1,810,596</u>
Disbursements:						
Personal services	-	-	-	-	-	267,411
Supplies	-	-	-	-	-	92,923
Other services and charges	-	-	-	-	-	215,570
Debt service - principal and interest	-	-	34,325	34,325	-	149,457
Capital outlay	-	-	8,766	-	-	36,340
Utility operating expenses	5,250	-	273,052	-	5,656	482,299
Other disbursements	-	-	24,433	-	-	502,368
Total disbursements	<u>5,250</u>	<u>-</u>	<u>340,576</u>	<u>34,325</u>	<u>5,656</u>	<u>1,746,368</u>
Excess (deficiency) of receipts over disbursements	<u>2,050</u>	<u>938</u>	<u>(3,129)</u>	<u>-</u>	<u>1,519</u>	<u>64,228</u>
Cash and investments - ending	<u>\$ 33,450</u>	<u>\$ 64,071</u>	<u>\$ 527,273</u>	<u>\$ -</u>	<u>\$ 39,068</u>	<u>\$ 1,614,578</u>

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

	General	MVH	Local Road & Street	Park Operating Fund	LLECE	Riverboat Tax Sharing	Rainy Day	CCD
Cash and investments - beginning	\$ 101,061	\$ 186,930	\$ 86,437	\$ 125	\$ 15,156	\$ 45,917	\$ 11,628	\$ 56,734
Receipts:								
Taxes	281,153	-	-	-	-	-	-	9,669
Licenses and permits	4,374	-	-	-	950	-	-	-
Intergovernmental	100,338	58,626	20,615	-	-	13,391	-	532
Charges for services	707	260	-	-	-	-	-	-
Fines and forfeits	8,067	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	14,660	586	134	-	304	-	-	53
Total receipts	<u>409,299</u>	<u>59,472</u>	<u>20,749</u>	<u>-</u>	<u>1,254</u>	<u>13,391</u>	<u>-</u>	<u>10,254</u>
Disbursements:								
Personal services	261,923	29,520	-	-	-	-	-	-
Supplies	23,976	20,061	-	-	-	-	-	-
Other services and charges	111,836	22,833	46,611	-	2,948	4,571	-	697
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	26,387	4,830	-	-	2,826	2,837	1,900	27,563
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	11,823	-	-	-	-	-	-	-
Total disbursements	<u>435,945</u>	<u>77,244</u>	<u>46,611</u>	<u>-</u>	<u>5,774</u>	<u>7,408</u>	<u>1,900</u>	<u>28,260</u>
Excess (deficiency) of receipts over disbursements	<u>(26,646)</u>	<u>(17,772)</u>	<u>(25,862)</u>	<u>-</u>	<u>(4,520)</u>	<u>5,983</u>	<u>(1,900)</u>	<u>(18,006)</u>
Cash and investments - ending	<u>\$ 74,415</u>	<u>\$ 169,158</u>	<u>\$ 60,575</u>	<u>\$ 125</u>	<u>\$ 10,636</u>	<u>\$ 51,900</u>	<u>\$ 9,728</u>	<u>\$ 38,728</u>

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

	CCI	General Levy Excess	Housing Revolving Loan	CEDIT	Payroll	Stormwater Operating	Stormwater Improvement
Cash and investments - beginning	\$ 41,377	\$ 755	\$ 10,569	\$ 57,859	\$ 9,159	\$ 27,928	\$ 74,950
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	6,146	-	-	105,079	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	98,055	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	627	-	378,141	-	644,908
Total receipts	<u>6,146</u>	<u>-</u>	<u>627</u>	<u>105,079</u>	<u>378,141</u>	<u>98,055</u>	<u>644,908</u>
Disbursements:							
Personal services	-	-	-	-	288,145	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	180	-
Other disbursements	-	-	-	106,444	88,077	1,959	701,232
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,444</u>	<u>376,222</u>	<u>2,139</u>	<u>701,232</u>
Excess (deficiency) of receipts over disbursements	<u>6,146</u>	<u>-</u>	<u>627</u>	<u>(1,365)</u>	<u>1,919</u>	<u>95,916</u>	<u>(56,324)</u>
Cash and investments - ending	<u>\$ 47,523</u>	<u>\$ 755</u>	<u>\$ 11,196</u>	<u>\$ 56,494</u>	<u>\$ 11,078</u>	<u>\$ 123,844</u>	<u>\$ 18,626</u>

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

	Sewer Operating	Sewer Customer Deposits	Stormwater Debt Reserve	Water Operating	Water Bond Transfer	Water Consumer Deposit	Totals
Cash and investments - beginning	\$ 224,131	\$ 33,450	\$ 64,071	\$ 527,273	\$ -	\$ 39,068	\$ 1,614,578
Receipts:							
Taxes	-	-	-	-	-	-	290,822
Licenses and permits	-	-	-	-	-	-	5,324
Intergovernmental	-	-	246,765	-	-	-	551,492
Charges for services	-	-	-	-	-	-	967
Fines and forfeits	-	-	-	-	-	-	8,067
Utility fees	1,040	-	-	334,560	-	-	433,655
Penalties	142	-	-	142	-	-	284
Other receipts	293,061	7,350	-	8,847	33,663	7,315	1,389,649
Total receipts	294,243	7,350	246,765	343,549	33,663	7,315	2,680,260
Disbursements:							
Personal services	-	-	-	-	-	-	579,588
Supplies	-	-	-	-	-	-	44,037
Other services and charges	-	-	-	-	-	-	189,496
Debt service - principal and interest	-	-	-	-	33,663	-	33,663
Capital outlay	8,391	-	-	50,502	-	-	125,236
Utility operating expenses	186,374	-	-	261,257	-	-	447,811
Other disbursements	18,258	4,900	276,572	56,559	-	4,936	1,270,760
Total disbursements	213,023	4,900	276,572	368,318	33,663	4,936	2,690,591
Excess (deficiency) of receipts over disbursements	81,220	2,450	(29,807)	(24,769)	-	2,379	(10,331)
Cash and investments - ending	\$ 305,351	\$ 35,900	\$ 34,264	\$ 502,504	\$ -	\$ 41,447	\$ 1,604,247

TOWN OF HOPE
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Water:			
Revenue bonds	Improvement of Drinking Water	\$ 402,000	\$ 33,332
Totals		<u>\$ 402,000</u>	<u>\$ 33,332</u>

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS

CREDIT CARDS

The Town of Hope is using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.
- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

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

ANNUAL REPORT

The annual report of the Town for 2011 was not filed until March 23, 2012.

Indiana Code 5-11-1-4(a) states in part:

"The state examiner shall require from every municipality, . . . financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year."

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

The Town bank account and fund balances did not agree at December 31, 2011. The bank account was \$656 less than the total of the cash balances for those specific funds. Payroll bank accounts and fund balances did not agree at December 31, 2010 and 2011. The bank account balance was \$3,271 greater than the fund balance for 2010 and \$7,146 greater than the fund balance for 2011.

Indiana Code 5-13-6-1(e) states in part:

"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."

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)

COMPENSATION AND BENEFITS

Town employees received payments for 2010 and 2011 which were not included in the payroll system. These payments were for animal control officer and building and zoning administration. Each of these individuals was issued a 1099. There was a similar comment in the prior report.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

Receipts were not issued for checks received by mail for the police department and the building and zoning permits.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POLICE DEPARTMENT RECEIPTS AND FEES

Receipts and fees collected by the police department were remitted to the clerk-treasurer less frequently than once a week. As stated in the prior report, in all instances, receipts for the police department, including the building and zoning permit collections, which were handled by a police department employee, were not remitted timely to the clerk-treasurer. In one instance, the receipts were accumulated for 150 calendar days and in a second instance receipts were accumulated for 40 calendar days before deposit.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS
(Continued)

POLICE DEPARTMENT RESERVE DEPUTIES' DONATIONS AND BANK ACCOUNT

We requested information concerning a police department reserve deputies' bank account which was used for donations and was not accounted for on the Town's funds ledger. These funds and the bank account were also not handled by the Town's Clerk-Treasurer.

Per discussions with police department staff, no federal identification number had been used when the bank account was set up several years ago. They did indicate that they had been granted not-for-profit status at some point in the past; however, they had not taken the necessary steps to retain that status in recent years. They indicated that the source of the funds deposited into this checking account was donations. In 2011, they planned to hold their traditional gun raffle to raise money for their shop with a cop program; however, due to not having not-for-profit status, they did not qualify under state laws to hold a raffle. The police department applied for, and received an employer identification number, in 2012; however, they do not plan to pursue filing for not-for-profit status because it would not be cost effective.

Information presented for audit included carbon copies of the checks issued, with a notation on the check as to the purpose, bank statements, and a spreadsheet which was maintained, for donations of \$11,060, including individual names, addresses and amounts; however, no dates were recorded nor was the type of payment (cash or check) recorded.

Information that was not presented for audit included: receipts for donations or other funds received; accounts payable vouchers; supporting documentation for the disbursements of \$9,911, except for some register tapes for food boxes and "Shop With a Cop" expenditures in the amount of \$5,794; January 2010 and February 2010 bank statements; bank reconciliations; and supporting documentation for deposits of \$4,342. The following is a summary of the disbursements for which there was no documentation presented for audit:

	Disbursements Without Documentation
Remodeling - Dispatch Area in Town Hall	\$ 1,039
Misc - TV & popcorn popper for dispatch area	360
Police related equipment/supplies (Galls)	1,583
Front plates (thin blue line) for cars	191
Repair soft drink machine	120
Glass	38
Primitive Peddler (antiques & guns shop) September 2011	350
Dollar General Store December 2010 purchases	436
 Total	 \$ 4,117

Included in those expenditures for which some type of documentation was retained were \$720 of gift cards. There was no list presented for audit of the recipients and their signatures to confirm that the "Shop with a Cop" type of gifts, the food boxes and gift cards were properly distributed for the purposes intended.

Due to the lack of a ledger or bank reconciliations, we were unable to determine what the beginning cash balance should have been, or whether there were any outstanding checks from the period ending December 31, 2009. Also, due to the lack of the two bank statements (January 2010 and February 2010), we

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS
(Continued)

were unable to determine whether deposits were made or whether checks that were recorded in the check registers cleared the bank account in January or February 2010. We were also unable to determine whether the funds received were deposited timely, due to the lack of receipts.

During the two year audit period, we determined that 30 checks were issued, based on information from the check registers and the actual bank statements. Five different check series were used during the audit period. As a result, the checks were not used in numeric order. There was no cash ledger for receipts, disbursements and cash balances.

Indiana Code 36-5-6-6(a) states in part: "The clerk-treasurer shall do the following: (1) Receive and care for all town money and pay the money out only on order of the town legislative body."

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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.

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)

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

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

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

"(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;

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS
(Continued)

- (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. . . .
- (d) 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. The fiscal officer does not incur personal liability for disbursements:
- (1) processed in accordance with this section; and
 - (2) for which funds are appropriated and available."

Due to the lack of supporting information, the validity and accountability for some monies 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)

CONTRIBUTIONS, DONATIONS, GIFTS

Donations of \$15,402 were received by the Police Department and deposited into the reserve deputies' bank account. As noted in the preceding audit result and comment, officials did not follow the appropriate procedures for accounting and custody of these funds.

Following is a brief list of procedures to be followed by city and town officials in receiving and accounting for monetary contributions, donations, or gifts received by the municipality. (Since the term "donation" in this instance is synonymous to "contribution" and "gift" that term will be used.)

- 1. Unrestricted donations are defined as those to which the donor has not attached terms, conditions, or purposes.
- 2. Restricted donations are defined as those to which the donor has attached terms, conditions, or purposes.
- 3. The governing body of the unit has the option and responsibility to either accept or reject, in writing, any proposed donation.
- 4. If the donation is a restricted donation, the board must agree, in writing, to the terms, conditions, or purposes attached to the proposed donation.
- 5. Restricted donations can only be accepted for purposes within the scope of general statutory authority.
- 6. Income or revenues in the form of tax distributions, tax receipts, fees, rentals, contractual payments, etc., are not to be considered donations.

TOWN OF HOPE
AUDIT RESULTS AND COMMENTS
(Continued)

7. Donations which are accepted must be handled in one of the two following methods:
- A. Unrestricted donations shall be receipted into the applicable operating fund of the unit (i.e. city or town operating (general) fund; cemetery operating fund, park and recreation operating fund, airport operating fund, etc.). Expenditure of such donated revenue from the operating fund shall be made only after an appropriation has been provided for the purpose of the expenditure. Claims must be filed and approved in the regular legal manner.
- B. A restricted donation shall be placed into a separate fund after such fund is established by the legislative body of the unit. Any appropriate descriptive name may be given the donation fund. The donation can be expended only for the purpose and under the terms and conditions agreed to on accepting the donation.
- Pursuant to Attorney General Official Opinion No. 68 of 1961, no further appropriation is required for expenditure of a restricted donation for the designated purpose. Even though no further appropriation is required, claims must be filed and approved in the regular legal manner before disbursements can be made from the fund.
8. If the volume of restricted donations justifies it, a "control" fund may be established for all restricted donations. Separate, individual accounts would then be established to account for each restricted donation or each type of restricted donation. The total activities of the separate accounts -- receipts disbursements, balances -- could be reflected on the control fund. (Cities and Towns Bulletin and Uniform Compliance Guidelines, June 2006)

SEGREGATION OF DUTIES

We noted the following deficiency in the internal control system of the Town of Hope, including the Wastewater and Stormwater Utilities, related to financial transactions and reconciling. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The Town of Hope, including the Wastewater and Stormwater Utilities, has not separated incompatible activities related to cash, receipts, disbursements, and payroll. The failure to establish these controls could enable material misstatements to be undetected.

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
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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 HOPE, BARTHOLOMEW COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Hope (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2010 and 2011. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

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

Accordingly, we do not express an opinion of 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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control 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. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be material weaknesses.

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

June 14, 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 note are presented as intended by the Town.

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's				
Program and Non-Entitlement Grants in Hawaii				
Stormwater	14.228	DR2-09-101	\$ -	\$ 644,908
Wastewater		DR2-09-153	-	91,523
Total for cluster			-	736,431
Total federal awards expended			\$ -	\$ 736,431

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

TOWN OF HOPE
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 Hope 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.

TOWN OF HOPE
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?	yes
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?	yes

Identification of Major Programs:

_____ Name of Federal Program or Cluster
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

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiency in the internal control system of the Town of Hope, including the Wastewater and Stormwater Utilities, related to financial transactions and reconciling. We believe the following deficiency constitutes a material weakness:

Lack of Segregation of Duties: Control activities should be selected and developed at various levels to reduce risks of error and/or fraud of the financial statements. The Town of Hope, including the Wastewater and Stormwater Utilities, has not separated incompatible activities related to cash, receipts, disbursements, and payroll. The failure to establish these controls could enable material misstatements to be undetected.

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

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 Indiana City/Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-2 - CASH MANAGEMENT

Federal Agency: US Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Management of the Town has not established an effective internal control system to monitor receipts, disbursements, and the cash balance of the grant to ensure compliance with cash management requirements. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the applicable compliance requirements.

An internal control system should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis.

OMB Circular A-133, Subpart C, section .300 (b) states:

"The auditee shall: (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

We recommended the Town's management establish controls related to the grant agreement and all applicable compliance requirements.

TOWN OF HOPE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF HOPE

404 Jackson Street • Hope, Indiana 47246
Police (812) 546-4015 • Utilities (812) 546-5469 • Clerk-Treasurer (812) 546-0423
Fax (812) 546-0735

cthope@live.com

April 10, 2012

Federal Finding 2011-2 Cash Management

Federal Agency: US Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Pass-through Entity: Indiana Office of Community and Rural Affairs

Corrective Action Plan

The present procedure for cash management for the grant is that the Project Engineer presents to the Town Council members a pay voucher. Upon approval of the Town Council the PE presents the approved pay voucher to the Grant Administrator for their submission to the State for the drawdown of funds. The funds are electronically deposited in the Town's bank account and the State notifies by e-mail the clerk treasurer of the deposit. Upon receipt of the e-mail the clerk treasurer prepares a manual check(s) for the total amount deposited. A receipt for the revenue is created. Copies of the check, e-mail of deposit and claims are faxed to the grant administrator

At the end of each month during the end of month reconciliation the clerk treasurer will confer with the grant administrator for comparison of ledgers and the file maintained by the grant administrator.



Shirley Robertson
Clerk Treasurer

TOWN OF HOPE

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April 10, 2012

Finding 2011-1 Internal Controls over Financial Transactions and Reporting.

Correction Action Plan

Each month after the individual Bank Statement has been reconciled, by the clerk treasurer, the statements will be presented to a council member for their review. After reviewing the statements the council member will sign off on the statements.

Bank statement that are not reconciled by the clerk treasurer the person reconciling that statement will present it to the clerk treasurer for review and to be signed.

The clerk treasurer will review all financial records of the utilities clerk monthly.

The clerk treasurer will review all financial records of the permit clerk monthly.



Shirley Robertson
Clerk Treasurer

TOWN OF HOPE
EXIT CONFERENCE

The contents of this report were discussed on June 14, 2012, with Shirley Robertson, Clerk-Treasurer, and Paula Pollitt, Town Council member.