

B40616

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF VEEDERSBURG
FOUNTAIN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
07/24/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Laura Bennett Kerri Lynn Grubb Kathy J. Pugh	01-01-08 to 05-04-10 05-05-10 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Keith K. Smith	01-01-10 to 12-31-12
Superintendent of Water Utility	Paul Keeling	01-01-10 to 12-31-12
Superintendent of Wastewater Utility	Connie Sichts	01-01-10 to 12-31-12
Superintendent of Electric Utility	George Gowens	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF VEEDERSBURG, FOUNTAIN COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Veedersburg (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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 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 18, 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, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets 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 18, 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 VEEDERSBURG, FOUNTAIN COUNTY, INDIANA

We have audited the financial statements of the Town of Veedersburg (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 18, 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 opinion 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 a material weakness.

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

June 18, 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 VEEDERSBURG
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 210,845	\$ 284,066	\$ 259,939	\$ 234,972
Petty Cash	20	-	-	20
Change Fund	100	-	-	100
Motor Vehicle Highway	182,930	147,424	143,831	186,523
Local Road & Street	9,708	9,754	2,343	17,119
Donation Fund	-	1,500	1,466	34
Redevelopment Commission	1,771,766	704,244	431,569	2,044,441
Garbage Pick Up	63,807	151,812	118,926	96,693
Local Law Enforcement Training	1,392	1,340	2,676	56
Casino - Revenue Sharing	58,423	14,387	61,811	10,999
Downtown Revitalization Grant	-	17,820	17,820	-
Rainy Day Fund	26,077	11,255	-	37,332
Energy Assist. Program	6,184	20,230	11,486	14,928
Swimming Pool	55,306	38,131	24,496	68,941
Lease Rental Payment	18,997	32,655	34,200	17,452
Cum Fire Special Fund	5,677	6,562	11,655	584
Cum Cap Imp	7,464	6,731	7,052	7,143
Redevelopment Authority	198,065	127,875	126,888	199,052
Payroll Fund	-	727,625	727,765	(140)
Electric Operating	1,628,138	3,947,333	3,563,198	2,012,273
Electric Bond & Interest	212,070	80,984	76,213	216,841
Electric Depreciation	881,959	119,408	115,859	885,508
Electric Meter Deposit	60,707	28,031	16,831	71,907
Sewer Operating	216,216	727,036	606,628	336,624
Sewer Bond & Int	351,599	290,767	345,879	296,487
Water Operating	294,843	429,356	453,766	270,433
Water - Bond & Int	208,677	124,935	76,068	257,544
Water Depreciation	195,315	38,175	7,245	226,245
Water - Meter Deposit	20,403	8,600	4,990	24,013
Totals	<u>\$ 6,686,688</u>	<u>\$ 8,098,036</u>	<u>\$ 7,250,600</u>	<u>\$ 7,534,124</u>

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

TOWN OF VEEDERSBURG
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	\$ 234,972	\$ 239,244	\$ 253,060	\$ 221,156
Motor Vehicle Highway	186,523	191,088	145,861	231,750
Local Road & Street	17,119	9,138	18,907	7,350
Redevelopment Commission	2,044,441	629,210	147,049	2,526,602
Garbage Pick Up	96,693	129,012	106,736	118,969
Local Law Enforcement Training	56	1,153	394	815
Casino - Revenue Sharing	10,999	14,387	-	25,386
Rainy Day Fund	37,332	-	-	37,332
Storm Water Improvement Grant	-	652,064	652,064	-
Cum Fire Special Fund	584	6,702	4,563	2,723
Cum Cap Imp	7,143	6,602	7,092	6,653
Petty Cash	20	-	-	20
Change Fund	100	-	-	100
Donation Fund	34	-	-	34
Downtown Revitalization Grant	-	11,880	11,880	-
Energy Assist. Program	14,928	1,812	16,740	-
Swimming Pool	68,941	38,448	27,040	80,349
Lease Rental Payment	17,452	32,905	33,000	17,357
Redevelopment Authority	199,052	93,375	127,138	165,289
Payroll Fund	(140)	704,729	704,589	-
Electric Operating	2,012,273	4,926,967	4,955,611	1,983,629
Electric Bond & Interest	216,841	78,000	86,539	208,302
Electric Depreciation	885,508	144,640	8,515	1,021,633
Elect Meter Deposit	71,907	28,132	19,270	80,769
Sewer Operating	336,624	746,169	668,213	414,580
Sewer Bond & Int	296,487	273,279	345,095	224,671
Water Operating	270,433	459,754	501,404	228,783
Water - Bond & Int	257,544	124,056	73,966	307,634
Water Depreciation	226,245	44,599	5,335	265,509
Water - Meter Deposit	24,013	7,366	6,290	25,089
Totals	<u>\$ 7,534,124</u>	<u>\$ 9,594,711</u>	<u>\$ 8,926,351</u>	<u>\$ 8,202,484</u>

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

TOWN OF VEEDERSBURG
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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

	General	Petty Cash	Change Fund	Motor Vehicle Highway	Local Road & Street	Donation Fund
Cash and investments - beginning	\$ 210,845	\$ 20	\$ 100	\$ 182,930	\$ 9,708	\$ -
Receipts:						
Taxes	195,709	-	-	63,500	-	-
Licenses and permits	842	-	-	-	-	-
Intergovernmental	63,389	-	-	83,666	9,722	-
Charges for services	14,817	-	-	-	-	-
Fines and forfeits	278	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	9,031	-	-	258	32	1,500
Total receipts	<u>284,066</u>	<u>-</u>	<u>-</u>	<u>147,424</u>	<u>9,754</u>	<u>1,500</u>
Disbursements:						
Personal services	178,880	-	-	51,381	-	-
Supplies	26,813	-	-	18,572	-	-
Other services and charges	50,580	-	-	69,378	2,343	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	4,500	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	3,666	-	-	-	-	1,466
Total disbursements	<u>259,939</u>	<u>-</u>	<u>-</u>	<u>143,831</u>	<u>2,343</u>	<u>1,466</u>
Excess (deficiency) of receipts over disbursements	<u>24,127</u>	<u>-</u>	<u>-</u>	<u>3,593</u>	<u>7,411</u>	<u>34</u>
Cash and investments - ending	<u>\$ 234,972</u>	<u>\$ 20</u>	<u>\$ 100</u>	<u>\$ 186,523</u>	<u>\$ 17,119</u>	<u>\$ 34</u>

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

	Redevelopment Commission	Garbage Pick Up	Local Law Enforcement Training	Casino - Revenue Sharing	Downtown Revitalization Grant	Rainy Day Fund
Cash and investments - beginning	\$ 1,771,766	\$ 63,807	\$ 1,392	\$ 58,423	\$ -	\$ 26,077
Receipts:						
Taxes	688,254	-	-	-	-	-
Licenses and permits	-	-	810	-	-	-
Intergovernmental	-	-	-	14,387	17,820	11,255
Charges for services	-	151,540	37	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	15,990	272	493	-	-	-
Total receipts	<u>704,244</u>	<u>151,812</u>	<u>1,340</u>	<u>14,387</u>	<u>17,820</u>	<u>11,255</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	23	2,844	-	-	-	-
Other services and charges	181,468	116,082	-	61,811	17,820	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	250,078	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	2,676	-	-	-
Total disbursements	<u>431,569</u>	<u>118,926</u>	<u>2,676</u>	<u>61,811</u>	<u>17,820</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>272,675</u>	<u>32,886</u>	<u>(1,336)</u>	<u>(47,424)</u>	<u>-</u>	<u>11,255</u>
Cash and investments - ending	<u>\$ 2,044,441</u>	<u>\$ 96,693</u>	<u>\$ 56</u>	<u>\$ 10,999</u>	<u>\$ -</u>	<u>\$ 37,332</u>

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

	Energy Assist. Program	Swimming Pool	Lease Rental Payment	Cum Fire Special Fund	Cum Cap Imp	Redevelopment Authority
Cash and investments - beginning	\$ 6,184	\$ 55,306	\$ 18,997	\$ 5,677	\$ 7,464	\$ 198,065
Receipts:						
Taxes	-	28,010	28,293	5,673	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	20,230	4,318	4,362	875	6,731	-
Charges for services	-	5,198	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	605	-	14	-	127,875
Total receipts	<u>20,230</u>	<u>38,131</u>	<u>32,655</u>	<u>6,562</u>	<u>6,731</u>	<u>127,875</u>
Disbursements:						
Personal services	-	17,773	-	-	-	-
Supplies	-	2,726	-	-	-	-
Other services and charges	-	3,997	-	-	7,052	1,600
Debt service - principal and interest	-	-	34,200	11,655	-	75,413
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	11,486	-	-	-	-	49,875
Total disbursements	<u>11,486</u>	<u>24,496</u>	<u>34,200</u>	<u>11,655</u>	<u>7,052</u>	<u>126,888</u>
Excess (deficiency) of receipts over disbursements	<u>8,744</u>	<u>13,635</u>	<u>(1,545)</u>	<u>(5,093)</u>	<u>(321)</u>	<u>987</u>
Cash and investments - ending	<u>\$ 14,928</u>	<u>\$ 68,941</u>	<u>\$ 17,452</u>	<u>\$ 584</u>	<u>\$ 7,143</u>	<u>\$ 199,052</u>

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

	Payroll Fund	Electric Operating	Electric Bond & Interest	Electric Depreciation	Electric Meter Deposit	Sewer Operating
Cash and investments - beginning	\$ -	\$ 1,628,138	\$ 212,070	\$ 881,959	\$ 60,707	\$ 216,216
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	3,741,740	-	-	-	717,972
Penalties	-	19,398	-	-	-	-
Other receipts	727,625	186,195	80,984	119,408	28,031	9,064
Total receipts	<u>727,625</u>	<u>3,947,333</u>	<u>80,984</u>	<u>119,408</u>	<u>28,031</u>	<u>727,036</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	76,213	-	-	-
Capital outlay	-	-	-	115,859	-	19,689
Utility operating expenses	-	3,366,245	-	-	6,136	312,491
Other disbursements	727,765	196,953	-	-	10,695	274,448
Total disbursements	<u>727,765</u>	<u>3,563,198</u>	<u>76,213</u>	<u>115,859</u>	<u>16,831</u>	<u>606,628</u>
Excess (deficiency) of receipts over disbursements	<u>(140)</u>	<u>384,135</u>	<u>4,771</u>	<u>3,549</u>	<u>11,200</u>	<u>120,408</u>
Cash and investments - ending	<u>\$ (140)</u>	<u>\$ 2,012,273</u>	<u>\$ 216,841</u>	<u>\$ 885,508</u>	<u>\$ 71,907</u>	<u>\$ 336,624</u>

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

	Sewer Bond & Int	Water Operating	Water - Bond & Int	Water Depreciation	Water - Meter Deposit	Totals
Cash and investments - beginning	\$ 351,599	\$ 294,843	\$ 208,677	\$ 195,315	\$ 20,403	\$ 6,686,688
Receipts:						
Taxes	-	-	-	-	-	1,009,439
Licenses and permits	-	-	-	-	-	1,652
Intergovernmental	-	-	-	-	-	236,755
Charges for services	-	-	-	-	-	171,592
Fines and forfeits	-	-	-	-	-	278
Utility fees	-	396,564	-	-	-	4,856,276
Penalties	-	4,362	-	-	-	23,760
Other receipts	290,767	28,430	124,935	38,175	8,600	1,798,284
Total receipts	290,767	429,356	124,935	38,175	8,600	8,098,036
Disbursements:						
Personal services	-	-	-	-	-	248,034
Supplies	-	-	-	-	-	50,978
Other services and charges	-	-	-	-	-	512,131
Debt service - principal and interest	345,529	-	76,068	-	-	619,078
Capital outlay	-	5,038	-	7,245	-	402,409
Utility operating expenses	-	249,705	-	-	2,171	3,936,748
Other disbursements	350	199,023	-	-	2,819	1,481,222
Total disbursements	345,879	453,766	76,068	7,245	4,990	7,250,600
Excess (deficiency) of receipts over disbursements	(55,112)	(24,410)	48,867	30,930	3,610	847,436
Cash and investments - ending	\$ 296,487	\$ 270,433	\$ 257,544	\$ 226,245	\$ 24,013	\$ 7,534,124

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

	General	Motor Vehicle Highway	Local Road & Street	Redevelopment Commission	Garbage Pick Up	Local Law Enforcement Training	Casino - Revenue Sharing
Cash and investments - beginning	\$ 234,972	\$ 186,523	\$ 17,119	\$ 2,044,441	\$ 96,693	\$ 56	\$ 10,999
Receipts:							
Taxes	101,393	117,130	-	619,782	-	-	-
Licenses and permits	2,996	-	-	-	-	1,090	-
Intergovernmental	109,325	73,319	9,138	-	-	-	14,387
Charges for services	24,062	-	-	-	128,768	63	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,468	639	-	9,428	244	-	-
Total receipts	239,244	191,088	9,138	629,210	129,012	1,153	14,387
Disbursements:							
Personal services	150,791	28,745	-	313	-	-	-
Supplies	32,221	21,399	18,907	1,688	1,059	-	-
Other services and charges	56,638	91,568	-	34,872	96,960	394	-
Debt service - principal and interest	-	-	-	40,500	-	-	-
Capital outlay	13,135	4,149	-	67,801	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	275	-	-	1,875	8,717	-	-
Total disbursements	253,060	145,861	18,907	147,049	106,736	394	-
Excess (deficiency) of receipts over disbursements	(13,816)	45,227	(9,769)	482,161	22,276	759	14,387
Cash and investments - ending	<u>\$ 221,156</u>	<u>\$ 231,750</u>	<u>\$ 7,350</u>	<u>\$ 2,526,602</u>	<u>\$ 118,969</u>	<u>\$ 815</u>	<u>\$ 25,386</u>

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

	Rainy Day Fund	Storm Water Improvement Grant	Cum Fire Special Fund	Cum Cap Imp	Petty Cash	Change Fund
Cash and investments - beginning	\$ 37,332	\$ -	\$ 584	\$ 7,143	\$ 20	\$ 100
Receipts:						
Taxes	-	-	5,946	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	752	6,602	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	652,064	4	-	-	-
Total receipts	-	652,064	6,702	6,602	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	7,092	-	-
Debt service - principal and interest	-	-	4,563	-	-	-
Capital outlay	-	652,064	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	652,064	4,563	7,092	-	-
Excess (deficiency) of receipts over disbursements	-	-	2,139	(490)	-	-
Cash and investments - ending	\$ 37,332	\$ -	\$ 2,723	\$ 6,653	\$ 20	\$ 100

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

	Donation Fund	Downtown Revitalization Grant	Energy Assist. Program	Swimming Pool	Lease Rental Payment	Redevelopment Authority
Cash and investments - beginning	\$ 34	\$ -	\$ 14,928	\$ 68,941	\$ 17,452	\$ 199,052
Receipts:						
Taxes	-	-	-	28,890	29,209	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	3,655	3,696	-
Charges for services	-	-	-	5,719	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	11,880	1,812	184	-	93,375
Total receipts	-	11,880	1,812	38,448	32,905	93,375
Disbursements:						
Personal services	-	-	-	19,669	-	-
Supplies	-	-	-	3,751	-	-
Other services and charges	-	-	16,705	3,620	-	1,600
Debt service - principal and interest	-	-	-	-	-	72,663
Capital outlay	-	11,880	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	35	-	33,000	52,875
Total disbursements	-	11,880	16,740	27,040	33,000	127,138
Excess (deficiency) of receipts over disbursements	-	-	(14,928)	11,408	(95)	(33,763)
Cash and investments - ending	\$ 34	\$ -	\$ -	\$ 80,349	\$ 17,357	\$ 165,289

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

	Payroll Fund	Electric Operating	Electric Bond & Interest	Electric Depreciation	Elect Meter Deposit	Sewer Operating
Cash and investments - beginning	\$ (140)	\$ 2,012,273	\$ 216,841	\$ 885,508	\$ 71,907	\$ 336,624
Receipts:						
Taxes	-	98,305	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	4,766,740	-	-	28,132	736,078
Penalties	-	26,084	-	-	-	8,362
Other receipts	704,729	35,838	78,000	144,640	-	1,729
Total receipts	704,729	4,926,967	78,000	144,640	28,132	746,169
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	86,539	-	-	-
Capital outlay	-	26,512	-	8,515	-	200
Utility operating expenses	-	4,430,414	-	-	19,270	391,760
Other disbursements	704,589	498,685	-	-	-	276,253
Total disbursements	704,589	4,955,611	86,539	8,515	19,270	668,213
Excess (deficiency) of receipts over disbursements	140	(28,644)	(8,539)	136,125	8,862	77,956
Cash and investments - ending	\$ -	\$ 1,983,629	\$ 208,302	\$ 1,021,633	\$ 80,769	\$ 414,580

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

	Sewer Bond & Int	Water Operating	Water - Bond & Int	Water Depreciation	Water - Meter Deposit	Totals
Cash and investments - beginning	\$ 296,487	\$ 270,433	\$ 257,544	\$ 226,245	\$ 24,013	\$ 7,534,124
Receipts:						
Taxes	-	22,228	-	-	-	1,022,883
Licenses and permits	-	-	-	-	-	4,086
Intergovernmental	-	-	-	-	-	220,874
Charges for services	-	-	-	-	-	158,612
Utility fees	-	428,735	-	-	7,366	5,967,051
Penalties	-	6,275	-	-	-	40,721
Other receipts	273,279	2,516	124,056	44,599	-	2,180,484
Total receipts	273,279	459,754	124,056	44,599	7,366	9,594,711
Disbursements:						
Personal services	-	-	-	-	-	199,518
Supplies	-	-	-	-	-	79,025
Other services and charges	-	-	-	-	-	309,449
Debt service - principal and interest	344,745	-	73,966	-	-	622,976
Capital outlay	-	-	-	-	-	784,256
Utility operating expenses	350	305,609	-	1,295	-	5,148,698
Other disbursements	-	195,795	-	4,040	6,290	1,782,429
Total disbursements	345,095	501,404	73,966	5,335	6,290	8,926,351
Excess (deficiency) of receipts over disbursements	(71,816)	(41,650)	50,090	39,264	1,076	668,360
Cash and investments - ending	\$ 224,671	\$ 228,783	\$ 307,634	\$ 265,509	\$ 25,089	\$ 8,202,484

TOWN OF VEEDERSBURG
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 30,133	\$ -
Electric	18,341	416,948
Wastewater	22,685	58,614
Water	<u>13,434</u>	<u>33,318</u>
Totals	<u>\$ 84,593</u>	<u>\$ 508,880</u>

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:			
Notes and Loans Payable	Firetruck	\$ 5,708	\$ 5,851
Capital Lease	Town Hall	202,845	16,200
General Obligation Bonds	Redevelopment Authority - 1997 Water Improvements	<u>375,000</u>	<u>74,775</u>
Electric:			
Revenue Bonds	1995 Improvements Issue	<u>210,000</u>	<u>6,896</u>
Water:			
Revenue Bonds	Pool Program, Series 1997A Water Improvement	590,000	76,795
Capital Lease	1997 Water Project	<u>337,229</u>	<u>79,500</u>
Wastewater:			
Revenue Bonds	Refunding 1992, Series 2001	275,000	101,169
Revenue Bonds	Refunding 1997, Series 2004	1,110,000	146,163
Revenue Bonds	2006 Project, Series 2006	<u>745,000</u>	<u>96,505</u>
Totals		<u>\$ 3,850,782</u>	<u>\$ 603,854</u>

TOWN OF VEEDERSBURG
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

	Ending Balance
Governmental activities:	
Land	\$ 75,000
Buildings	1,983,899
Improvements other than buildings	101,723
Total governmental activities	2,160,622
Electric:	
Land	15,000
Infrastructure	107,312
Buildings	65,204
Improvements other than buildings	5,387
Machinery, equipment and vehicles	65,000
Total Electric	257,903
Wastewater:	
Land	45,000
Infrastructure	1,096,144
Buildings	6,037,456
Machinery, equipment and vehicles	30,395
Total Wastewater	7,208,995
Water:	
Land	12,000
Infrastructure	2,072,397
Buildings	446,964
Improvements other than buildings	14,396
Machinery, equipment and vehicles	31,565
Total Water	2,577,322
Total capital assets	\$ 12,204,842

TOWN OF VEEDERSBURG
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Grant Administrator for the Downtown Revitalization Grant did not comply with directives of the Indiana Office of Community and Rural Affairs. The reimbursement request dated November 23, 2010, for \$18,000 was for the full amount of the invoice for Triad Associates instead of \$17,820 which reflects the deduction of the Town's 1 percent match.

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

TOWN OF VEEDERSBURG
AUDIT RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

Some claims tested were not certified by the official or did not contain adequate supporting documentation.

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

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

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

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

CAPITAL ASSET RECORDS

The Town has capital asset records but additions and deletions have not been recorded since 2009.

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

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

Payroll Schedule and Voucher (General form No.99)

The unit's policy was to have the supervisor sign the time cards for approval of time, but 13 of 42 timecards tested were not approved. Payroll claims were not submitted to the governing board for approval.

TOWN OF VEEDERSBURG
AUDIT RESULTS AND COMMENTS
(Continued)

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

Each claim should be certified to by the department head and the Clerk-Treasurer in the appropriate sections provided thereon. The Clerk-Treasurer may elect to certify on the Accounts Payable Voucher Register, General Form No. 364, in lieu of certifying each Payroll Schedule and Voucher.

Approval signatures by a majority of the board is required in the appropriate section unless the Accounts Payable Voucher Register, General Form No. 364, is signed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

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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 VEEDERSBURG, FOUNTAIN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Veedersburg (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. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-3.

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)

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 deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be a material weakness.

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 18, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The schedule of expenditures of federal awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF VEEDERSBURG
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>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				
Downtown Revitalization Planning Grant		A192-10-PL-09-033	\$ 17,820	\$ 11,880
Storm Water Grant		B10DC180001DR2-09-118	-	652,064
Total federal awards expended			<u>\$ 17,820</u>	<u>\$ 663,944</u>

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

TOWN OF VEEDERSBURG
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 Veedersburg 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 VEEDERSBURG
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 several deficiencies in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

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

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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

FINDING 2011-2 - INTERNAL CONTROL OVER ALL APPLICABLE COMPLIANCE REQUIREMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: United States 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

Award Number and Year: A192-10-PL-09-033 FY2010 and FY2011, B10DC180001DR2-09-118 FY2011

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the applicable compliance requirements of the grant. This includes the following compliance requirements; allowable activities, allowable costs, cash management, davis-bacon, matching, level of effort and earmarking, period of availability, procurement, suspension and debarment, reporting, and special tests and provisions. 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, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis.

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

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. Non-compliance of the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

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

FINDING 2011-3 - CASH MANAGEMENT

Federal Agency: United States 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

Award Number and Year: B10DC180001DR2-09-118 FY2011

24 CFR 85.21 (b)(7) states: "*Advances*. Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time lapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

Indiana CDBG Handbook, Chapter 6, Paragraph 6.3, #1 states:

"Federal Cash Control Register: This form is used to track the receipt and expenditure of federal funds. (Expenditures of local funds are not reported on this document.) It is the State's policy under the guidance of the Code of Federal Regulations, that grant funds of \$5,000 or more must be disbursed within five business days from the date they are deposited in the Grantee's designated account. The Federal Cash Control Register also maintains a cumulative amount deposited and disbursed throughout the grant project for accurate record-keeping purposes."

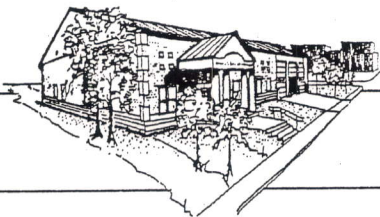
The Town is required to disburse the grant funds within five days of receiving it. The Town was delinquent in remitting the funds for the November 6, 2011 distribution. The funds were disbursed fourteen days from the date of receipt.

Remitting funds after the five day grace period indicates noncompliance with the cash management requirement as set forth by the grant agreement.

We recommended that the clerk-treasurer and Town Council should work together in monitoring the grant funds to ensure they are remitted within the five day allowed time frame.

TOWN OF VEEDERSBURG
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Corrective Action Plan

Contact Person: Kathy J. Pugh
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townofveedersburg@gmail.com

FEDERAL FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING AND FEDERAL FINDING 2011-2 INTERNAL CONTROL OVER ALL APPLICABLE COMPLIANCE REQUIREMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: United States 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: Indiana Office of Community and Rural Affairs

Award Number: A192-10-PL-09-033, FY 2010 and FY 2011; B10DC180001DR2-09-118, FY 2011

It is difficult to segregate duties due to limited personnel in the Clerk-Treasurer's office. The office has one part-time employee (working 7-8 days per month) & one full-time utility clerk. The Clerk-Treasurer will continue to work closely with the Grant Administrator to guarantee that the Town is in compliance with the grant agreement. She will also work more closely with the Council to involve them in the process.

FEDERAL FINDING 2011-3, CASH MANAGEMENT

Federal Agency: United States 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

Award Number and Year: B10DC180001DR2-09-118, FY2011

The Clerk-Treasurer will contact the Town Council President when the funds are received and will inform him when the funds are remitted to guarantee that they are disbursed within the five day grace period.

Signature
Date

Kathy J. Pugh, Clerk-Treasurer
06/18/2012

TOWN OF VEEDERSBURG
EXIT CONFERENCE

The contents of this report were discussed on June 18, 2012, with Keri Lynn Grubb, former Clerk-Treasurer; Laura Bennett, former Clerk-Treasurer; Keith K. Smith, President of the Town Council; and Kathy J. Pugh, Clerk-Treasurer.