

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ROCKVILLE
PARKE COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
09/07/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Darrell Smiley	11-12-09 to 04-13-12
	Stephany M. Dowd	04-14-12 to 12-31-15
President of the Town Council	Norman Camerer	01-01-10 to 12-31-11
	Debra Ackerman	01-01-12 to 12-31-12
Superintendent of Utilities	John Montgomery	01-01-10 to 03-31-10
	Mark White	04-01-10 to 11-03-10
	(Vacant)	11-04-10 to 03-14-12
	Chad Gordon	03-15-12 to 12-31-12



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

TO: THE OFFICIALS OF THE TOWN OF ROCKVILLE, PARKE COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Rockville (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.

Except as stated in the fourth paragraph, 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.

The Town's payroll clearing funds had balances as of December 31, 2011, of \$82,544. Information presented for audit was not sufficient to determine whether amounts were properly remitted to the proper authorities or if the balances were the result of posting errors.

In our opinion, except for the effects on the financial statements, if any, of errors in the payroll clearing funds as discussed in the preceding paragraph, 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 July 31, 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 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

July 31, 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 ROCKVILLE, PARKE COUNTY, INDIANA

We have audited the financial statements of the Town of Rockville (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated July 31, 2012. The opinion on the financial statements was qualified due to likely posting errors to the payroll withholding funds. 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 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 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

July 31, 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 ROCKVILLE
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	\$ (61,568)	\$ 711,879	\$ 537,389	\$ 112,922
Motor Vehicle Highway	59,609	176,375	161,570	74,414
Local Road And Street	32,457	13,773	1,778	44,452
Cemetery	69,969	53,563	98,403	25,129
Ocra Grant - Sewer Construction	-	74,698	74,698	-
Law Enforcement Continuing Ed	1,416	104	540	980
Unsafe Building	738	-	-	738
Sewer Construction/State Money	2,058	243,559	245,550	67
Downtown Planning	-	30,500	30,526	(26)
Rainy Day	13,816	-	5,325	8,491
Levy Excess	8,513	-	-	8,513
Park Special	1,082	-	384	698
Swimming Pool	110,050	29,782	43,766	96,066
Storm Clean Up	-	2,056	1,000	1,056
Urban Development	48,864	1	-	48,865
Police Miscellaneous	19,191	7,622	1,520	25,293
Public Safety	145,479	61,687	87,811	119,355
Park	9,714	53,545	46,082	17,177
Cumulative Capital Development	103,685	17,965	23,736	97,914
Cumulative Capital Improvement	111,829	8,652	-	120,481
Cemetery Permanent Maintenance	41,746	830	280	42,296
Retainage - Small Wilson	-	41,880	-	41,880
Wastewater State Revolving Fund	-	526,389	526,389	-
Payroll Retirement	(13,442)	27,155	-	13,713
Payroll Withholding - Garnishment	693	7,424	7,623	494
Payroll Group Insurance Anthem	693	-	-	693
American Family Cancer Insurance	1,050	4,392	2,962	2,480
Annuity Life Retirement	-	50	16	34
Payroll Capital Plus Credit Saving	715	2,200	2,500	415
Group Insurance Prin Finance 125	1,083	-	-	1,083
Payroll Miscellaneous	9	-	-	9
Payroll Basic Flex 125	(640)	2,020	1,294	86
Payroll Aflac 125	(81)	4,401	5,947	(1,627)
Payroll Bankers Life 125	988	208	176	1,020
Principal Finance	2,447	-	-	2,447
Peking Employee Withholding	62,777	29,452	71,942	20,287
Employee Voluntary Addl Retirement	2,526	2,478	-	5,004
Pekin Insurance	10,000	39,586	39,586	10,000
Pekin Non Employee	-	6,932	-	6,932
Payroll Social Security Withholding	3,492	147,322	167,627	(16,813)
Payroll State & County Withholding	15,613	54,746	65,640	4,719
Light Utility	583,811	2,954,952	2,788,599	750,164
Light Depreciation Reserve	481,189	3,786	98,160	386,815
Light Meter Deposit	228,736	18,158	16,965	229,929
Light Cash Reserve	403,652	7,183	-	410,835
Street Light Construction	259,604	63	266,660	(6,993)
Sewer	(172,176)	959,368	773,236	13,956
Sewer Bond & Interest	343,705	118,369	460,863	1,211
Sewer Improvement	16,281	50,740	-	67,021
Sewer Project Retainage	-	7,474	-	7,474
Sewer Debt Reserve	391,093	1,463	391,608	948
Bony Sewer Bond And Interest	-	286,071	157,855	128,216
Bony Sewer Debt Reserve	-	284,435	-	284,435
Stormwater Utility	28,787	86,896	12,293	103,390
Water	142,751	789,346	692,310	239,787
Waterworks Bond And Interest	179,983	89,004	268,987	-
Water Improvement	1,762	181,747	17,117	166,392
Water Meter Deposit	32,661	5,869	2,730	35,800
Water Debt Reserve	313,176	1,298	194,365	120,109
Bony Water Bond And Interest	-	154,323	-	154,323
Bony Water Debt Reserve	-	186,415	-	186,415
Totals	\$ 4,041,586	\$ 8,570,186	\$ 8,393,808	\$ 4,217,964

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

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

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
GENERAL FUND	\$ 112,922	\$ 617,726	\$ 503,168	\$ 227,480
MOTOR VEHICLE HIGHWAY	74,414	162,746	131,837	105,323
LOCAL ROAD & STREET	44,452	8,258	1,722	50,988
LAW ENF CONT ED	980	50	400	630
UNSAFE BUILDING	738	-	-	738
PARK & RECREATION	17,177	42,871	22,486	37,562
RAINY DAY	8,491	-	-	8,491
K9 DONATIONS	-	3,205	2,568	637
LEVY EXCESS FUND	8,513	39,963	-	48,476
CUM CAP IMPROVEMENT	120,481	8,368	-	128,849
CUM CAP DEVELOPMENT	97,914	45,181	8,016	135,079
WATER METER DEPOSIT	35,800	6,500	2,822	39,478
PUBLIC SAFETY	119,355	81,917	46,432	154,840
CONSTRUCTION RETAINAGE	7,474	37,869	45,343	-
CEMETERY (OPERATING)	25,129	90,841	122,522	(6,552)
CEMETERY PERM MAINTENANCE	42,296	394	798	41,892
DOWNTOWN PLANNING	(26)	19,500	20,756	(1,282)
STORM CLEAN UP	1,056	-	-	1,056
SWIMMING POOL	96,066	16,251	48,722	63,595
PARK SPECIAL DONATION	698	2,500	351	2,847
POLICE MISCELLANEOUS	25,293	6,117	777	30,633
URBAN DEVELOPMENT	48,865	-	-	48,865
WATER BOND & INTEREST	-	134	-	134
WATER DEBT RESERVE	109	1,564	-	1,673
WASTEWATER BOND & INT	1,211	-	-	1,211
WASTEWATER DEBT RESERVE	948	-	-	948
LIGHT CASH RESERVE	410,835	2,451	-	413,286
STREETLIGHT CONSTRUCTION	(6,993)	10,500	15,803	(12,296)
STORMWATER CONSTRUCTION	-	690,000	20,000	670,000
SEWER PROJ RETAINAGE	-	11,303	15,220	(3,917)
OCRA GRANT SEWER CONST	-	562,181	562,181	-
RETAINAGE - SMALL WILSON	41,880	77,734	91,214	28,400
WASTEWATER STATE REVOLVING FUND	-	1,835,739	1,835,739	-
SELF-INSURANCE PEKIN	10,000	-	95	9,905
PAYROLL - NET	-	286,501	286,501	-
PAYROLL FEDERAL	(16,813)	102,587	104,873	(19,099)
PAYROLL FICA W/H	-	38,783	38,783	-
PAYROLL MEDICARE W/H	-	10,815	10,883	(68)
PAYROLL STATE & CO W/H	4,719	48,524	43,099	10,144
PAYROLL PERF W/H	13,713	25,263	7,162	31,814
PAYROLL - GROUP INS IACT	693	7,652	-	8,345
PAY/GROUPINSPRINFIN-125	1,083	-	-	1,083
PAYROLL/MISCELLANEOUS	9	-	-	9
PAYROLL/BASICFLEX	86	-	-	86
PAY/BANKERSLIFE-125	1,020	120	144	996
PAY/PRINCIPAL FINANCIAL	2,447	-	-	2,447
PAY/PEKINEMPLOYEEWHT	20,287	11,475	-	31,762
PAY/EMPLOYEE VOLPERFWTHH	5,004	1,281	-	6,285
PAY/PEKINNONEMPLOYEE	6,932	2,236	2,242	6,926
PAY - AFLAC	853	7,901	8,023	731
PAY - ANNUITY LIFE REASSURA	34	88	48	74
PAY - CREDIT UNION	415	1,300	1,200	515
PAY - COURT GARNISHMENT	494	961	961	494
LIGHT	750,164	3,133,726	2,724,198	1,159,692
LIGHT METER DEPOSIT	229,929	18,664	14,889	233,704
LIGHT DEPRECIATION	386,815	4,010	1,473	389,352
STORMWATER OPERATING	103,390	99,973	29,393	173,970
WASTEWATER OPERATING	13,956	883,379	744,580	152,755
WASTEWATER IMPROVEMENT	67,021	-	-	67,021
SEWR CONST/STATE MONEY	67	406,253	404,640	1,680
WATER OPERATING	239,787	762,214	589,379	412,622
WATER IMPROVEMENT	286,392	-	-	286,392
BONY WASTEWATER BOND AND INTEREST	128,216	265,151	211,838	181,529
BONY WASTEWATER DEBT RESERVE	284,435	-	-	284,435
BONY WATER BOND AND INTEREST	154,323	186,415	319,384	21,354
BONY WATER DEBT RESERVE	186,415	-	-	186,415
Totals	<u>\$ 4,217,964</u>	<u>\$ 10,687,135</u>	<u>\$ 9,042,665</u>	<u>\$ 5,862,434</u>

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

TOWN OF ROCKVILLE
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

TOWN OF ROCKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements include the following uses:

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

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

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

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

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

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

TOWN OF ROCKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 ROCKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

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

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

TOWN OF ROCKVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the 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 ROCKVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Cemetery	Ocro Grant - Sewer Construction	Law Enforcement Continuing Ed	Unsafe Building
Cash and investments - beginning	\$ (61,568)	\$ 59,609	\$ 32,457	\$ 69,969	\$ -	\$ 1,416	\$ 738
Receipts:							
Taxes	-	78,077	-	21,103	-	-	-
Licenses and permits	937	-	-	-	-	-	-
Intergovernmental	234,964	90,980	7,978	4,860	74,698	-	-
Charges for services	22,000	-	-	27,600	-	104	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	453,978	7,318	5,795	-	-	-	-
Total receipts	711,879	176,375	13,773	53,563	74,698	104	-
Disbursements:							
Personal services	443,082	113,722	-	87,449	-	-	-
Supplies	-	11,860	1,778	1,649	-	-	-
Other services and charges	50,153	11,328	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	74,698	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	44,154	24,660	-	9,305	-	540	-
Total disbursements	537,389	161,570	1,778	98,403	74,698	540	-
Excess (deficiency) of receipts over disbursements	174,490	14,805	11,995	(44,840)	-	(436)	-
Cash and investments - ending	\$ 112,922	\$ 74,414	\$ 44,452	\$ 25,129	\$ -	\$ 980	\$ 738

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

	Sewer Construction/State Money	Downtown Planning	Rainy Day	Levy Excess	Park Special	Swimming Pool	Storm Clean Up
Cash and investments - beginning	\$ 2,058	\$ -	\$ 13,816	\$ 8,513	\$ 1,082	\$ 110,050	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	203,026	30,500	-	-	-	-	2,056
Charges for services	-	-	-	-	-	18,627	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	40,533	-	-	-	-	11,155	-
Total receipts	243,559	30,500	-	-	-	29,782	2,056
Disbursements:							
Personal services	-	-	-	-	-	20,894	-
Supplies	49,099	26	-	-	384	5,462	-
Other services and charges	-	-	4,900	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	196,451	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	30,500	425	-	-	17,410	1,000
Total disbursements	245,550	30,526	5,325	-	384	43,766	1,000
Excess (deficiency) of receipts over disbursements	(1,991)	(26)	(5,325)	-	(384)	(13,984)	1,056
Cash and investments - ending	\$ 67	\$ (26)	\$ 8,491	\$ 8,513	\$ 698	\$ 96,066	\$ 1,056

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

	Urban Development	Police Miscellaneous	Public Safety	Park	Cumulative Capital Development	Cumulative Capital Improvement	Cemetery Permanent Maintenance
Cash and investments - beginning	\$ 48,864	\$ 19,191	\$ 145,479	\$ 9,714	\$ 103,685	\$ 111,829	\$ 41,746
Receipts:							
Taxes	-	-	-	49,236	16,389	-	-
Licenses and permits	-	810	-	-	-	-	-
Intergovernmental	-	-	61,663	3,254	1,083	8,096	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	4,584	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	1	2,228	24	1,055	493	556	830
Total receipts	1	7,622	61,687	53,545	17,965	8,652	830
Disbursements:							
Personal services	-	-	-	36,023	-	-	-
Supplies	-	-	14,616	-	-	-	-
Other services and charges	-	-	6,300	-	23,736	-	280
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	1,520	66,895	10,059	-	-	-
Total disbursements	-	1,520	87,811	46,082	23,736	-	280
Excess (deficiency) of receipts over disbursements	1	6,102	(26,124)	7,463	(5,771)	8,652	550
Cash and investments - ending	\$ 48,865	\$ 25,293	\$ 119,355	\$ 17,177	\$ 97,914	\$ 120,481	\$ 42,296

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

	Retainage - Small Wilson	Wastewater State Revolving Fund	Payroll Retirement	Payroll Withholding - Garnishment	Payroll Group Insurance Anthem	American Family Cancer Insurance	Annuity Life Retirement
Cash and investments - beginning	\$ -	\$ -	\$ (13,442)	\$ 693	\$ 693	\$ 1,050	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	41,880	526,389	27,155	7,424	-	4,392	50
Total receipts	41,880	526,389	27,155	7,424	-	4,392	50
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	526,389	-	7,623	-	2,962	16
Total disbursements	-	526,389	-	7,623	-	2,962	16
Excess (deficiency) of receipts over disbursements	41,880	-	27,155	(199)	-	1,430	34
Cash and investments - ending	\$ 41,880	\$ -	\$ 13,713	\$ 494	\$ 693	\$ 2,480	\$ 34

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

	Payroll Capital Plus Credit Saving	Group Insurance Prin Finance 125	Payroll Miscellaneous	Payroll Basic Flex 125	Payroll Aflac 125	Payroll Bankers Life 125	Principal Finance
Cash and investments - beginning	\$ 715	\$ 1,083	\$ 9	\$ (640)	\$ (81)	\$ 988	\$ 2,447
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	2,200	-	-	2,020	4,401	208	-
Total receipts	2,200	-	-	2,020	4,401	208	-
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,500	-	-	1,294	5,947	176	-
Total disbursements	2,500	-	-	1,294	5,947	176	-
Excess (deficiency) of receipts over disbursements	(300)	-	-	726	(1,546)	32	-
Cash and investments - ending	\$ 415	\$ 1,083	\$ 9	\$ 86	\$ (1,627)	\$ 1,020	\$ 2,447

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

	Peking Employee Withholding	Employee Voluntary Addl Retirement	Pekin Insurance	Pekin Non Employee	Payroll Social Security Withholding	Payroll State & County Withholding	Light Utility
Cash and investments - beginning	\$ 62,777	\$ 2,526	\$ 10,000	\$ -	\$ 3,492	\$ 15,613	\$ 583,811
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	2,945,258
Other receipts	29,452	2,478	39,586	6,932	147,322	54,746	9,694
Total receipts	29,452	2,478	39,586	6,932	147,322	54,746	2,954,952
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	2,600,148
Other disbursements	71,942	-	39,586	-	167,627	65,640	188,451
Total disbursements	71,942	-	39,586	-	167,627	65,640	2,788,599
Excess (deficiency) of receipts over disbursements	(42,490)	2,478	-	6,932	(20,305)	(10,894)	166,353
Cash and investments - ending	\$ 20,287	\$ 5,004	\$ 10,000	\$ 6,932	\$ (16,813)	\$ 4,719	\$ 750,164

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

	Light Depreciation Reserve	Light Meter Deposit	Light Cash Reserve	Street Light Construction	Sewer	Sewer Bond & Interest	Sewer Improvement
Cash and investments - beginning	\$ 481,189	\$ 228,736	\$ 403,652	\$ 259,604	\$ (172,176)	\$ 343,705	\$ 16,281
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	49,394	-	-
Other receipts	3,786	18,158	7,183	63	909,974	118,369	50,740
Total receipts	3,786	18,158	7,183	63	959,368	118,369	50,740
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	6,732	8,753	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	98,160	16,965	-	259,928	425,938	-	-
Other disbursements	-	-	-	-	338,545	460,863	-
Total disbursements	98,160	16,965	-	266,660	773,236	460,863	-
Excess (deficiency) of receipts over disbursements	(94,374)	1,193	7,183	(266,597)	186,132	(342,494)	50,740
Cash and investments - ending	\$ 386,815	\$ 229,929	\$ 410,835	\$ (6,993)	\$ 13,956	\$ 1,211	\$ 67,021

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

	Sewer Project Retainage	Sewer Debt Reserve	Bony Sewer Bond And Interest	Bony Sewer Debt Reserve	Stormwater Utility	Water	Waterworks Bond And Interest
Cash and investments - beginning	\$ -	\$ 391,093	\$ -	\$ -	\$ 28,787	\$ 142,751	\$ 179,983
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	86,882	789,346	-
Other receipts	7,474	1,463	286,071	284,435	14	-	89,004
Total receipts	7,474	1,463	286,071	284,435	86,896	789,346	89,004
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	34,074
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	12,293	399,997	-
Other disbursements	-	391,608	157,855	-	-	292,313	234,913
Total disbursements	-	391,608	157,855	-	12,293	692,310	268,987
Excess (deficiency) of receipts over disbursements	7,474	(390,145)	128,216	284,435	74,603	97,036	(179,983)
Cash and investments - ending	\$ 7,474	\$ 948	\$ 128,216	\$ 284,435	\$ 103,390	\$ 239,787	\$ -

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

	Water Improvement	Water Meter Deposit	Water Debt Reserve	Bony Water Bond And Interest	Bony Water Debt Reserve	Totals
Cash and investments - beginning	\$ 1,762	\$ 32,661	\$ 313,176	\$ -	\$ -	\$ 4,041,586
Receipts:						
Taxes	-	-	-	-	-	164,805
Licenses and permits	-	-	-	-	-	1,747
Intergovernmental	-	-	-	-	-	723,158
Charges for services	-	-	-	-	-	68,331
Fines and forfeits	-	-	-	-	-	4,584
Utility fees	-	-	-	-	-	3,870,880
Other receipts	181,747	5,869	1,298	154,323	186,415	3,736,681
Total receipts	<u>181,747</u>	<u>5,869</u>	<u>1,298</u>	<u>154,323</u>	<u>186,415</u>	<u>8,570,186</u>
Disbursements:						
Personal services	-	-	-	-	-	701,170
Supplies	-	-	-	-	-	84,874
Other services and charges	-	-	-	-	-	96,697
Debt service - principal and interest	-	-	-	-	-	49,559
Capital outlay	-	-	-	-	-	271,149
Utility operating expenses	-	2,730	-	-	-	3,816,159
Other disbursements	17,117	-	194,365	-	-	3,374,200
Total disbursements	<u>17,117</u>	<u>2,730</u>	<u>194,365</u>	<u>-</u>	<u>-</u>	<u>8,393,808</u>
Excess (deficiency) of receipts over disbursements	<u>164,630</u>	<u>3,139</u>	<u>(193,067)</u>	<u>154,323</u>	<u>186,415</u>	<u>176,378</u>
Cash and investments - ending	<u>\$ 166,392</u>	<u>\$ 35,800</u>	<u>\$ 120,109</u>	<u>\$ 154,323</u>	<u>\$ 186,415</u>	<u>\$ 4,217,964</u>

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

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD & STREET	LAW ENF CONT ED	UNSAFE BUILDING	PARK & RECREATION	RAINY DAY
Cash and investments - beginning	\$ 112,922	\$ 74,414	\$ 44,452	\$ 980	\$ 738	\$ 17,177	\$ 8,491
Receipts:							
Taxes	253,652	73,427	-	-	-	36,934	-
Licenses and permits	675	-	-	-	-	-	-
Intergovernmental	202,827	81,177	8,258	-	-	5,853	-
Charges for services	22,450	8,142	-	50	-	-	-
Fines and forfeits	23,386	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	114,736	-	-	-	-	84	-
Total receipts	<u>617,726</u>	<u>162,746</u>	<u>8,258</u>	<u>50</u>	<u>-</u>	<u>42,871</u>	<u>-</u>
Disbursements:							
Personal services	406,203	84,061	-	-	-	11,968	-
Supplies	37,777	26,890	1,722	-	-	5,744	-
Other services and charges	53,488	2,740	-	400	-	1,774	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	18,146	-	-	-	3,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	5,700	-	-	-	-	-	-
Total disbursements	<u>503,168</u>	<u>131,837</u>	<u>1,722</u>	<u>400</u>	<u>-</u>	<u>22,486</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>114,558</u>	<u>30,909</u>	<u>6,536</u>	<u>(350)</u>	<u>-</u>	<u>20,385</u>	<u>-</u>
Cash and investments - ending	<u>\$ 227,480</u>	<u>\$ 105,323</u>	<u>\$ 50,988</u>	<u>\$ 630</u>	<u>\$ 738</u>	<u>\$ 37,562</u>	<u>\$ 8,491</u>

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

	K9 DONATIONS	LEVY EXCESS FUND	CUM CAP IMPROVEMENT	CUM CAP DEVELOPMENT	WATER METER DEPOSIT	PUBLIC SAFETY
Cash and investments - beginning	\$ -	\$ 8,513	\$ 120,481	\$ 97,914	\$ 35,800	\$ 119,355
Receipts:						
Taxes	-	-	-	12,291	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	7,940	1,948	-	56,131
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	3,205	39,963	428	30,942	6,500	25,786
Total receipts	<u>3,205</u>	<u>39,963</u>	<u>8,368</u>	<u>45,181</u>	<u>6,500</u>	<u>81,917</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	2,568	-	-	3,900	-	34,875
Other services and charges	-	-	-	-	-	3,023
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	8,534
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	4,116	2,822	-
Total disbursements	<u>2,568</u>	<u>-</u>	<u>-</u>	<u>8,016</u>	<u>2,822</u>	<u>46,432</u>
Excess (deficiency) of receipts over disbursements	<u>637</u>	<u>39,963</u>	<u>8,368</u>	<u>37,165</u>	<u>3,678</u>	<u>35,485</u>
Cash and investments - ending	<u>\$ 637</u>	<u>\$ 48,476</u>	<u>\$ 128,849</u>	<u>\$ 135,079</u>	<u>\$ 39,478</u>	<u>\$ 154,840</u>

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

	CONSTRUCTION RETAINAGE	CEMETERY (OPERATING)	CEMETERY PERM MAINTENANCE	DOWNTOWN PLANNING	STORM CLEAN UP	SWIMMING POOL
Cash and investments - beginning	\$ 7,474	\$ 25,129	\$ 42,296	\$ (26)	\$ 1,056	\$ 96,066
Receipts:						
Taxes	-	48,725	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	37,818	7,236	-	19,500	-	-
Charges for services	-	34,880	-	-	-	15,111
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	51	-	394	-	-	1,140
Total receipts	<u>37,869</u>	<u>90,841</u>	<u>394</u>	<u>19,500</u>	<u>-</u>	<u>16,251</u>
Disbursements:						
Personal services	-	98,736	-	-	-	24,247
Supplies	-	8,874	798	-	-	13,730
Other services and charges	-	10,012	-	20,756	-	4,305
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	4,900	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	45,343	-	-	-	-	6,440
Total disbursements	<u>45,343</u>	<u>122,522</u>	<u>798</u>	<u>20,756</u>	<u>-</u>	<u>48,722</u>
Excess (deficiency) of receipts over disbursements	<u>(7,474)</u>	<u>(31,681)</u>	<u>(404)</u>	<u>(1,256)</u>	<u>-</u>	<u>(32,471)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ (6,552)</u>	<u>\$ 41,892</u>	<u>\$ (1,282)</u>	<u>\$ 1,056</u>	<u>\$ 63,595</u>

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

	PARK SPECIAL DONATION	POLICE MISCELLANEOUS	URBAN DEVELOPMENT	WATER BOND & INTEREST	WATER DEBT RESERVE	WASTEWATER BOND & INT
Cash and investments - beginning	\$ 698	\$ 25,293	\$ 48,865	\$ -	\$ 109	\$ 1,211
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	1,170	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	3,500	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	2,500	1,447	-	134	1,564	-
Total receipts	<u>2,500</u>	<u>6,117</u>	<u>-</u>	<u>134</u>	<u>1,564</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	351	777	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>351</u>	<u>777</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,149</u>	<u>5,340</u>	<u>-</u>	<u>134</u>	<u>1,564</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,847</u>	<u>\$ 30,633</u>	<u>\$ 48,865</u>	<u>\$ 134</u>	<u>\$ 1,673</u>	<u>\$ 1,211</u>

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

	WASTEWATER DEBT RESERVE	LIGHT CASH RESERVE	STREETLIGHT CONSTRUCTION	STORMWATER CONSTRUCTION	SEWER PROJ RETAINAGE	OCRA GRANT SEWER CONST
Cash and investments - beginning	\$ 948	\$ 410,835	\$ (6,993)	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	562,181
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	2,451	10,500	690,000	11,303	-
Total receipts	-	2,451	10,500	690,000	11,303	562,181
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	15,803	20,000	-	562,181
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	15,220	-
Total disbursements	-	-	15,803	20,000	15,220	562,181
Excess (deficiency) of receipts over disbursements	-	2,451	(5,303)	670,000	(3,917)	-
Cash and investments - ending	\$ 948	\$ 413,286	\$ (12,296)	\$ 670,000	\$ (3,917)	\$ -

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

	RETAINAGE SMALL WILSON	WASTEWATER STATE REVOLVING FUND	SELF-INSURANCE PEKIN	PAYROLL - NET	PAYROLL FEDERAL	PAYROLL FICA W/H
Cash and investments - beginning	\$ 41,880	\$ -	\$ 10,000	\$ -	\$ (16,813)	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	77,734	1,835,739	-	286,501	102,587	38,783
Total receipts	<u>77,734</u>	<u>1,835,739</u>	<u>-</u>	<u>286,501</u>	<u>102,587</u>	<u>38,783</u>
Disbursements:						
Personal services	-	-	-	286,501	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	91,214	1,835,739	95	-	104,873	38,783
Total disbursements	<u>91,214</u>	<u>1,835,739</u>	<u>95</u>	<u>286,501</u>	<u>104,873</u>	<u>38,783</u>
Excess (deficiency) of receipts over disbursements	<u>(13,480)</u>	<u>-</u>	<u>(95)</u>	<u>-</u>	<u>(2,286)</u>	<u>-</u>
Cash and investments - ending	\$ <u>28,400</u>	\$ <u>-</u>	\$ <u>9,905</u>	\$ <u>-</u>	\$ <u>(19,099)</u>	\$ <u>-</u>

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

	PAYROLL MEDICARE W/H	PAYROLL STATE & CO W/H	PAYROLL PERF W/H	PAYROLL - GROUP INS IACT	PAY/GROUP INS SPRINFIN-125	PAYROLL/MISCELLANEOUS
Cash and investments - beginning	\$ -	\$ 4,719	\$ 13,713	\$ 693	\$ 1,083	\$ 9
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	10,815	48,524	25,263	7,652	-	-
Total receipts	10,815	48,524	25,263	7,652	-	-
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	10,883	43,099	7,162	-	-	-
Total disbursements	10,883	43,099	7,162	-	-	-
Excess (deficiency) of receipts over disbursements	(68)	5,425	18,101	7,652	-	-
Cash and investments - ending	\$ (68)	\$ 10,144	\$ 31,814	\$ 8,345	\$ 1,083	\$ 9

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

	<u>PAYROLL/BASICFLEX</u>	<u>PAY/BANKERSLIFE-125</u>	<u>PAY/PRINCIPAL FINANCIAL</u>	<u>PAY/PEKINEMPLOYEEWHHT</u>	<u>PAY/EMPLOYEE VOLPERFWTHH</u>	<u>PAY/PEKINSNONEMPLOYEE</u>
Cash and investments - beginning	\$ 86	\$ 1,020	\$ 2,447	\$ 20,287	\$ 5,004	\$ 6,932
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	120	-	11,475	1,281	2,236
Total receipts	-	120	-	11,475	1,281	2,236
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	144	-	-	-	2,242
Total disbursements	-	144	-	-	-	2,242
Excess (deficiency) of receipts over disbursements	-	(24)	-	11,475	1,281	(6)
Cash and investments - ending	\$ 86	\$ 996	\$ 2,447	\$ 31,762	\$ 6,285	\$ 6,926

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

	PAY - AFLAC	PAY - ANNUITY LIFE REASSURA	PAY - CREDIT UNION	PAY - COURT GARNISHMENT	LIGHT	LIGHT METER DEPOSIT
Cash and investments - beginning	\$ 853	\$ 34	\$ 415	\$ 494	\$ 750,164	\$ 229,929
Receipts:						
Taxes	-	-	-	-	39,307	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	3,078,226	18,664
Other receipts	7,901	88	1,300	961	16,193	-
Total receipts	7,901	88	1,300	961	3,133,726	18,664
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	16,082	-
Utility operating expenses	-	-	-	-	2,684,657	-
Other disbursements	8,023	48	1,200	961	23,459	14,889
Total disbursements	8,023	48	1,200	961	2,724,198	14,889
Excess (deficiency) of receipts over disbursements	(122)	40	100	-	409,528	3,775
Cash and investments - ending	\$ 731	\$ 74	\$ 515	\$ 494	\$ 1,159,692	\$ 233,704

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

	LIGHT DEPRECIATION	STORMWATER OPERATING	WASTEWATER OPERATING	WASTEWATER IMPROVEMENT	SEWR CONST/STATE MONEY	WATER OPERATING
Cash and investments - beginning	\$ 386,815	\$ 103,390	\$ 13,956	\$ 67,021	\$ 67	\$ 239,787
Receipts:						
Taxes	-	-	-	-	-	10,160
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	406,253	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	99,973	863,918	-	-	743,203
Other receipts	4,010	-	19,461	-	-	8,851
Total receipts	<u>4,010</u>	<u>99,973</u>	<u>883,379</u>	<u>-</u>	<u>406,253</u>	<u>762,214</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	265,151	-	-	186,415
Capital outlay	-	-	13,798	-	164,536	6,190
Utility operating expenses	1,473	29,393	391,853	-	240,104	336,962
Other disbursements	-	-	73,778	-	-	59,812
Total disbursements	<u>1,473</u>	<u>29,393</u>	<u>744,580</u>	<u>-</u>	<u>404,640</u>	<u>589,379</u>
Excess (deficiency) of receipts over disbursements	<u>2,537</u>	<u>70,580</u>	<u>138,799</u>	<u>-</u>	<u>1,613</u>	<u>172,835</u>
Cash and investments - ending	<u>\$ 389,352</u>	<u>\$ 173,970</u>	<u>\$ 152,755</u>	<u>\$ 67,021</u>	<u>\$ 1,680</u>	<u>\$ 412,622</u>

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

	WATER IMPROVEMENT	BONY WASTEWATER BOND AND INTEREST	BONY WASTEWATER DEBT RESERVE	BONY WATER BOND AND INTEREST	BONY WATER DEBT RESERVE	Totals
Cash and investments - beginning	\$ 286,392	\$ 128,216	\$ 284,435	\$ 154,323	\$ 186,415	\$ 4,217,964
Receipts:						
Taxes	-	-	-	-	-	474,496
Licenses and permits	-	-	-	-	-	1,845
Intergovernmental	-	-	-	-	-	1,397,122
Charges for services	-	-	-	-	-	80,633
Fines and forfeits	-	-	-	-	-	26,886
Utility fees	-	-	-	-	-	4,803,984
Other receipts	-	265,151	-	186,415	-	3,902,169
Total receipts	-	265,151	-	186,415	-	10,687,135
Disbursements:						
Personal services	-	-	-	-	-	911,716
Supplies	-	-	-	-	-	138,006
Other services and charges	-	-	-	-	-	96,498
Debt service - principal and interest	-	-	-	-	-	451,566
Capital outlay	-	-	-	-	-	833,170
Utility operating expenses	-	-	-	-	-	3,684,442
Other disbursements	-	211,838	-	319,384	-	2,927,267
Total disbursements	-	211,838	-	319,384	-	9,042,665
Excess (deficiency) of receipts over disbursements	-	53,313	-	(132,969)	-	1,644,470
Cash and investments - ending	\$ 286,392	\$ 181,529	\$ 284,435	\$ 21,354	\$ 186,415	5,862,434

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: Ikon Office Solutions	Copier Lease	\$ 1,255	04-28-10	04-27-14
Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year	
Type	Purpose			
Governmental activities:				
Notes and loans payable	Hot Patch Trailer Purchase	\$ 9,980	\$ 8,424	
Notes and loans payable	US 41 Streetlight Corridor Grant Anticipation Note	274,762	282,428	
Notes and loans payable	Firehouse Construction	138,087	19,853	
Total governmental activities		<u>422,829</u>	<u>310,705</u>	
Rockville Stormwater Utility:				
Revenue bonds	Stormwater Construction Project	<u>700,000</u>	<u>11,301</u>	
Rockville Sewer Utility:				
Revenue bonds	Sewer Works Revenue Bonds 1998	74,000	52,596	
Revenue bonds	Sewer Works Revenue Bonds 2000	1,214,091	113,180	
Revenue bonds	Sewer Works Revenue Bonds 2010	2,339,128	23,000	
Revenue bonds	Sewer Works Refunding Bonds 2010	<u>89,000</u>	<u>49,450</u>	
Total Rockville Sewer Utility		<u>3,716,219</u>	<u>238,226</u>	
Rockville Electric Utility:				
Capital Leases	Electric Equipment Lease	<u>148,232</u>	<u>23,862</u>	
Rockville Water Utility:				
Capital Leases	Water Equipment Lease	289,322	46,575	
Revenue bonds	Waterworks Revenue Bond 2003	<u>1,715,000</u>	<u>30,184</u>	
Totals		<u>\$ 6,991,602</u>	<u>\$ 660,853</u>	

TOWN OF ROCKVILLE
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the Town listed below:

Clerk-Treasurer

TOWN OF ROCKVILLE
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 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 remain 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)

ERRORS ON CLAIMS

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

Four of the sixty claims tested did not have fiscal officer approval or board approval. The claims docket for the second meeting in March 2011 was not presented for audit.

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.

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

(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."

CONDITION OF RECORDS

The following deficiencies were present during our period of audit:

The Town issued Revenue Bonds for the Storm water project. The Town received a check for \$690,200. Receipt 6625 was written for \$700,000, but the amount was crossed out and \$690,000 was written above it. The \$690,000 was posted to the Storm Water Construction Fund but \$690,200 was deposited to the bank account.

The Town entered into two different equipment lease agreements with First Financial Bank in November 2011. The leases were for the purchase of electric meters in the amount of \$149,830 and water meters in the amount of \$292,440. The Town did not record these transactions in their ledger. Instead, the Bank issued checks directly to the vendors. These payments were made to the vendors prior to the meters being ordered, based on an estimated invoice.

The payroll funds were not posted correctly. The State and County withholding for December 2010 and January 2011 were paid to the Indiana Department of Revenue but were not shown as a disbursement from the Payroll State and County Withholding Fund. The Payroll Federal/Social Security Withholding Fund included the employer portion in some of the transactions but not all of them.

The December 2010 firehouse payment of \$15,436.30 was paid out of the Payroll Social Security Withholding Fund instead of the Cumulative Capital Development Fund.

The September 7, 2010 distribution for Local Road and Street totaling \$694.84 was receipted to the Motor Vehicle Highway Fund in error.

The proceeds from the crime insurance policy in the amount of \$25,786, for payment of charges against Neil Goheen, former Town Superintendent, resulting from the prior examination, were receipted to the Public Safety Fund instead of being allocated to the proper funds.

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

The outstanding checklist for December 2011 was not accurate. There were two checks totaling \$45.97, listed that were not outstanding checks because they were dated January 2012. One check was listed as \$35 but cleared the bank for \$88.50 and one check was listed for \$33.28 that had already cleared the bank.

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)

OPTICAL IMAGES OF WARRANTS

As previously stated in Report B37081, the financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . ' original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

ORDINANCES AND RESOLUTIONS

As previously stated in Report B37081, ordinance 2000-656 does not adequately explain how the unit should handle meals purchased by employees while traveling. Part of the ordinance authorizes a \$35 per diem, but another part of the ordinance states the employees need to remit receipts and will be reimbursed.

As previously stated in Report B37081, the Town does not have a policy that states the percentage of premium for medical and life insurance that the Town will pay for employees.

As previously stated in Report B37081, the Town does not have an ordinance for the Electric Utility that states the amount required for a customer deposit.

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule 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)

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY ADJUSTMENTS

Utility adjustments totaling \$51,223 in 2010 and \$49,323 in 2011 were posted to customer accounts. The minutes presented for audit did not indicate approval of the governing body.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances.

Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs.

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The quarterly payments to the Indiana Department of Revenue for Utility Receipts Tax were split evenly between Electric Operating, Water Operating and Wastewater Operating instead of apportioning the amount actually owed by the Electric Utility and Water Utility. For 2010, the Electric Operating owes the Water Operating \$5,746.26 and the Wastewater Operating \$15,153.35. For 2011, the Electric Operating owes the Water Operating \$6,971.84 and the Wastewater Operating \$17,195.80.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ROCKVILLE
 AUDIT RESULTS AND COMMENTS
 (Continued)

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

ANNUAL REPORT

The annual report for 2010 was filed late. It was not filed until June, 9, 2011. The 2010 annual report did not include investments totaling \$1,759,321.58. The 2010 and 2011 annual reports and unit's ledger did not include the Wastewater Bond and Interest Fund, Wastewater Debt Reserve Fund, Water Bond and Interest Fund, Water Debt Reserve Fund and Wastewater State Revolving Fund that were held at the Bank of New York. A similar comment was included in Report B37081.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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."

PRESCRIBED FORMS

It was noted in the review of disbursements that Accounts Payable Voucher, Form 39 was not always in use.

Receipt Form 217 was only used for state and county distributions. All other transactions used a generic receipt book that was not a prescribed or approved form and was not prenumbered.

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)

APPROPRIATIONS

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Cemetery	2010	\$ 17,970
General	2011	124,518
Cemetery	2011	10,271

A similar comment was included in Report B37081.

Indiana Code 6-1.1-18-4 states, in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The following funds were overdrawn at December 31:

<u>Fund</u>	<u>Amount</u>	<u>Years</u>
Downtown Planning	\$ (26)	2010
Street Light Construction	(6,993)	2010
Cemetery (Operating)	(6,552)	2011
Downtown Planning	(1,282)	2011
Street Light Construction	(12,296)	2011
Sewer Project Retainage	(3,917)	2011

A similar comment was included in Report B37081.

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

INVESTMENT TRANSACTIONS

In September 2010, a Certificate of Deposit matured and the entire amount was not receipted to the ledger. A portion of the Certificate of Deposit was wire transferred to the Bank of New York for the Wastewater bond requirements.

When the investments by fund are sold, the full amount of such sale should be entered as receipt to the fund from which the investment was made. The receipt should show separately the principal (purchase price) received and the interest received from the investment. At this time, the net purchase price (purchase price less accrued interest) should also be entered as a disbursement from the "Investments Fund." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Neal Wirth, Police Chief, received \$500 in payments for 2010 and \$1,500 in payments for 2011 for animal control which were not included in the payroll system or on the salary ordinance. A similar comment was included in prior Report B37081.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule 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)

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

PETTY CASH FUND

The Petty Cash Fund records did not include receipts or other documentation for all transactions. One transaction for \$50 which was not included in the counting of the petty cash fund was for the purchase of a Sam's Club membership did not include a receipt. Instead a description of the transaction was written on a post-it note. One transaction for \$3.92 had a receipt but did not include the date or the place of business. The petty cash fund was short \$19.08.

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)

CRIME INSURANCE POLICIES

As previously reported in Report B37081, the crime insurance policy procured from EMC Insurance Company that covers all employees including the Town Superintendent has not been filed in the office of the County Recorder.

Crime insurance policies permitted by statute should be recorded in the same manner as official bonds under IC 5-4. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENT OF CLAIMS PRIOR TO BOARD ALLOWANCE

As previously stated in Report B37081, the Town pays claims prior to board approval. The Town Council has not adopted an ordinance to allow this.

Indiana Code 36-4-8 and Indiana Code 36-5-4 list various conditions which must be met prior to issuing warrants in cities and towns. Indiana Code 36-4-8-14 and Indiana Code 36-5-4-12 allow a city or town council to adopt an ordinance allowing the city or town fiscal officer to pay certain types of claims prior to board allowance.

The types of claims which could be paid before board allowance include: (1) property or services purchased from the U.S. Government, (2) License or permit fees, (3) Insurance premiums, (4) Utility payments or connection charges (5) General grant programs where advance refunding is not prohibited and the contracting party posts sufficient security to cover the amount advanced, (6) Grants of State funds, (7) Maintenance or service agreements, (8) Leases or rental agreements, (9) Bond or coupon payments, (10) Payroll, (11) State, federal or county taxes, (12) expenses that must be paid because of emergency circumstances, and (13) expenses described in an ordinance.

The legislative body or the board having jurisdiction over the allowance of the claims shall review and allow the claims at the body's or board's next regular or special meeting following the preapproved payment of the expense. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

MAXIMUM COMPENSATORY TIME EARNED

Police officer Rodney Smith and Utility workers Mark Richmond, Bill White, Steve White and Bret Britton accrued compensatory time in excess of the maximum allowed.

29 CFR 553.22 (3)(A) If the work of an employee for which compensatory time may be provided included work in a public safety activity, an emergency response activity, or a seasonal activity, the employee engaged in such work may accrue not more than 480 hours of compensatory time for hours worked after April 15, 1986. If such work was any other work, the employee engaged in such work may accrue not more than 240 hours of compensatory time for hours worked after April 15, 1986. Any such employee who, after April 15, 1986, has accrued 480 or 240 hours, as the case may be, of compensatory time off shall, for additional overtime hours of work, be paid overtime compensation. (B) If compensation is paid to an employee for accrued compensatory time off, such compensation shall be paid at the regular rate earned by the employee at the time the employee receives such payment. (4) An employee who has accrued compensatory time off authorized to be provided under paragraph (1) shall, upon termination of employment, be paid for the unused compensatory time at a rate of compensation not less than— (A) The average regular rate received by such employee during the last 3 years of the employee's employment, or (B) The final regular rate received by such employee, whichever is higher. (5) An employee of a public agency which is a State, political subdivision of a State, or an interstate governmental agency— (A) Who has accrued compensatory time off authorized to be provided under paragraph (1), and (B) Who has requested the use of such compensatory time, shall be permitted by the employee's employer to use such time within a reasonable period after making the request if the use of the compensatory time does not unduly disrupt the operations of the public agency. (6) For purposes of this subsection— (A) The term *overtime compensation* means the compensation required by subsection (a), and (B) The terms *compensatory time* and *compensatory time off* means hours during which an employee is not working, which are not counted as hours worked during the applicable workweek or other work period for purposes of overtime compensation, and for which the employee is compensated at the employee's regular rate.

29 CFR 553.23 (c) The 480- and 240-hour limits on accrued compensatory time only apply to overtime hours worked after April 15, 1986. Compensatory time which an employee has accrued prior to April 15, 1986, is not subject to the overtime requirements of the FLSA and need not be aggregated with compensatory time accrued after that date.

INTERNAL CONTROLS - SWIMMING POOL

There are no internal controls over receipts at the swimming pool. Tickets are not issued for admissions and there is no documentation to support concession receipts. The receipts are separated between admissions and concessions but no reports are completed when remitting the receipts to the clerk-treasurer. The receipts are remitted to the town hall in a baggie or a rubber band with a date written on the outside.

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)

TOWN OF ROCKVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Indiana Office of Community and Rural Affairs by failing to disburse advances of grant funds within 5 days of receiving them. As a result, the Town was required to remit the interest earned on the funds of \$5.88 to the Indiana Office of Community and Rural Affairs. The Town also failed to follow procurement procedures in obtaining a grant administrator for the Downtown Planning Grant and was required to remit the amount of the grant administrator's fee to the Indiana Office of Community and Rural Affairs. The expenditures reported for the Post War Construction Fund (later renamed the Sewer Construction/State Money Fund) on reports submitted to the Indiana Office of Community and Rural Affairs could not be traced to the Town's records.

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)

DEPOSITS

As stated in previous audit Report B35291, deposits received to reserve the community hall were not deposited. The Town held the deposit check and then returned the deposit check to the depositor after the rental date.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

The 1998 Wastewater bond ordinance requires 1/12 of the principal and 1/6 of the interest payable on the next principal and interest payment shall be transferred to the Wastewater Bond and Interest Fund. Sufficient transfers are not being made to the bond and interest fund to meet payments due on the next payment due date. Transfers are not being made to the Debt Service Fund as required.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 ROCKVILLE, PARKE COUNTY, INDIANA

Compliance

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

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2010 and 2011. 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, 2011-4 and 2011-5.

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

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)

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.

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 a material weakness.

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

July 31, 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 ROCKVILLE
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 and Non-Entitlement Grants in Hawaii	14.228			
		DR1A-09-058	\$ 2,056	\$ -
		DR2-09-052	30,500	19,500
		CF-09-216	74,698	525,302
		DR1A-09-085	-	1,435
Total for program			<u>107,254</u>	<u>546,237</u>
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u>				
Pass-Through Parke County, Indiana Highway Safety Cluster Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601			
		OP-10-02-02-12	610	-
		OP-11-02-01-94	-	659
		RDP-10-02-04-06	-	118
Total for program			<u>610</u>	<u>777</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458			
		WW 091061 02	195,448	826,083
Total federal awards expended			<u>\$ 303,312</u>	<u>\$ 1,373,097</u>

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

TOWN OF ROCKVILLE
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 Rockville 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 ROCKVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	CDBG – State-Administered CDBG Cluster Capitalization Grants for Clean Water State Revolving Funds

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 remain undetected.

TOWN OF ROCKVILLE
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 Board to monitor and assess the quality of the Town's system of internal control. The Town Board 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 CONTROLS OVER ALL APPLICABLE COMPLIANCE REQUIREMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS\STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII AND CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: United States Department of Housing and Urban Development, United States
Environmental Protection Agency

Federal Program: Community Development Block Grants\State's Program and Non-Entitlement Grants in
Hawaii and Capitalization Grants for Clean Water State Revolving Funds

CFDA Number: 14.228 and 66.458

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

Award Number and Year: DR1A-09-058, FY 2009; DR2-09-052, FY2009 & 2010; CF-09-216, FY 2009 &
2010; DR1A-09-085, FY 2010; WW 091061 02, FY 2009 & 2010

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreements and the compliance requirements that have a direct and material effect to the program. The following compliance requirements have a direct and material effect to Community Development Block Grants\State's Program and Non-Entitlement Grants in Hawaii: Allowable Activities, Allowable Costs, Cash Management, Davis Bacon, Matching, Level of Effort,

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

Earmarking, Period of Availability, Procurement, Suspension and Debarment, Reporting, and Special Tests and Provisions. The following compliance requirements have a direct and material effect to Capitalization Grants for Clean Water State Revolving Funds: Allowable Activities, Allowable Costs, Cash Management, Davis Bacon, Period of Availability, and Procurement, Suspension and Debarment. 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 the grant agreement or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making proper oversight, reviews, and approvals take place and to have separation of functions over certain activities over compliance requirements. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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 compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended the Town's management establish controls, including segregation of duties, related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

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

Federal Award Number and Year (or Other Identifying Number): DR1A-09-058, FY 2009; DR2-09-052,
FY2009 & 2010; CF-09-216, FY 2009 & 2010; DR1A-09-085, FY 2010

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

The Town is required to disburse the grant funds within five days of receiving them. In one instance, grant funds were not disbursed for 21 days after receipt. This instance was cited as a finding in the grant close out procedures performed by the pass-through entity. The unit has responded to the finding and has remitted interest earned on the funds to the pass-through entity. There was a second instance in items tested where funds were held for 35 days after receipt. This was for the grant administrator on the disaster recovery grant.

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

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

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. (Indiana CDBG Handbook, Chapter 6, Paragraph 6.3, #1)

The Town is required to disburse the grant funds within five days of receiving them. In one instance tested, funds were not disbursed for 21 days after receipt. This instance was cited as a finding in the grant close out procedures performed by the pass-through entity. The unit has responded to the finding and has remitted interest earned on the funds to the pass-through entity. There was a second instance in items tested where funds were held for 35 days after receipt. This was for the grant administrator on the disaster recovery grant.

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 work together in monitoring the grant funds to ensure that they are remitted within the five day allowed time frame.

FINDING 2011-4 - PROCUREMENT

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
Federal Award Number and Year (or Other Identifying Number): DR2-09-052, FY2009 & 2010
Pass-Through Entity: Indiana Office of Community and Rural Affairs

During the grant close-out procedures, the Indiana Office of Community and Rural Affairs determined that the Town did follow proper procedures for the procurement of the grant administrator for the Downtown Planning Grant. As a result, the Town was required to repay \$1,250 to the Indiana Office of Community and Rural Affairs. This was the amount paid to the grant administrator for this project.

24 CFR 85.36 (B) states: "*Procurement standards.* (1) Grantees and subgrantees will use their own procurement procedures which reflect applicable State and local laws and regulation, provided that the procurements conform to applicable Federal law and the standards identified in this section."

When federal funds are paying for professional services the procurement process used is the Competitive Negotiation Method . . . For the procurement of other professional service providers such as Grant Administrators that are to be paid for with federal funds, the Grantee should develop a Request for Proposals (RFP) that includes price as part of the evaluation criteria. (Indiana CDBG Handbook, Page 3-1 and 3-3)

Failure to follow required procedures can jeopardize future funding or cause the Town to have to repay a portion of the grant proceeds.

We recommended that the Town maintain adequate records in the future to prove that required grant procedures were followed.

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

FINDING 2011-5 - REPORTING

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

Federal Award Number and Year (or Other Identifying Number): DR2-09-052, FY2009 & 2010

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

The expenditure amounts for the Post War Construction Fund shown on the semiannual reports for June 30, 2010 and June 30, 2011 for the Wastewater Improvement Grant could not be traced to the Town's records. There were numerous posting errors in the Town's fund ledger for this fund. The other expenditures (paid from federal grants) shown on these reports were traced to the Town's records without exception.

24 CFR 85.40 (a) states:

"Monitoring by grantees. Grantees are responsible for managing the day-to-day operations of grant and subgrant supported activities. Grantees must monitor grant and subgrant supported activities to assure compliance with applicable Federal requirements and that performance goals are being achieved. Grantee monitoring must cover each program, function or activity."

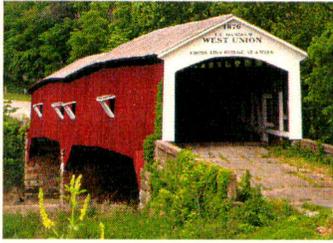
The filing system should be easy to use and provide a historic account of activities for examination and review by the State, auditors and local staff . . . Semi-Annual Reports providing updates on the status of the project must be submitted by the Grantee. (Indiana CDBG Handbook, Page 10-1)

Failure to comply with grant requirements may jeopardize future grant funding.

We recommended that the Town verify and reconcile reported amounts to the Town's records when each report is submitted.

TOWN OF ROCKVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Town of Rockville, Ind.

103 West High St.
P.O. Box 143
Rockville, IN 47872
The heart of Parke County

Corrective Action Plan

Contact Person: Stephany Dowd

Contact Information: Rockville Town Hall
103 West High Street
PO Box 143
Rockville, IN 47872
765-569-6253

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

The Town of Rockville has hired an additional staff person. This staff person will assist with the segregation duties for billing, accounts payable and revenues.

FEDERAL FINDING 2011-2, INTERNAL CONTROLS OVER ALL APPLICABLE COMPLIANCE REQUIREMENTS FOR COMMUNITY DEVELOPMENT BLOCK GRANTS/ STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII AND CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS

Federal Agency: United States Department of Housing and Urban Development, United States Environmental Protection Agency
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii and Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 14.228 and 66.458
Pass-Through Entity: Indiana Office of Community and Rural Affairs and Indiana Finance Authority
Award Number and Year: DR1A-09-058, FY 2009; DR2-09-052, FY2009 & 2010; CF-09-216, FY 2009 & 2010; DR1A-09-085, FY 2010; WW 091061 02, FY 2009 & 2010

The Town of Rockville will establish internal controls and segregation of duties over the Federal programs related to the grant agreements and all applicable compliance requirements of the grants.

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
Federal Award Number and Year (or Other Identifying Number): DR1A-09-058, FY 2009; DR2-09-052, FY2009 & 2010; CF-09-216, FY 2009 & 2010; DR1A-09-085, FY 2010
Pass-through Entity: Indiana Office of Community and Rural Affairs

The Rockville Town Council and the Clerk-Treasurer will work together in monitoring the grant funds to ensure the allowed five day allowed time frame.

FEDERAL FINDING 2011-4, PROCUREMENT

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
Federal Award Number and Year (or Other Identifying Number): DR2-09-052, FY2009 & 2010
Pass-through Entity: Indiana Office of Community and Rural Affairs

The Town of Rockville will maintain adequate records to prove the grant procedures are followed.

FEDERAL FINDING 2011-5, REPORTING

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
Federal Award Number and Year (or Other Identifying Number): DR2-09-052, FY2009 & 2010
Pass-through Entity: Indiana Office of Community and Rural Affairs

The Town of Rockville will verify and reconcile the reported amounts of the Town's records when reports are submitted.



Stephany Dowd
July 27, 2012

TOWN OF ROCKVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2012, with Debra Ackerman, President of the Town Council; Parke Swaim, Town Council member; Karen Berry, Utility Clerk; and Darrell Smiley, former Clerk-Treasurer. The officials concurred with our audit findings.

The contents of this report were discussed on August 1, 2012, with Stephany M. Dowd, Clerk-Treasurer. The official concurred with our audit findings.