

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ENGLISH
CRAWFORD COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
09/14/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Wayne Carothers	01-01-08 to 12-31-15
President of the Town Council	Michael E. Benham	01-01-10 to 12-31-12
Town Manager	Michael Huddleston	01-01-10 to 12-31-12



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ENGLISH, CRAWFORD COUNTY, INDIANA

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 23, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

the underlying accounting and other reports used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Debt, and Schedule of Capital Assets, as listed in the Table of Contents, 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.

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. 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, the Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 23, 2012



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

TO: THE OFFICIALS OF THE TOWN OF ENGLISH, CRAWFORD COUNTY, INDIANA

We have audited the financial statements of the Town of English (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated August 23, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town is responsible for establishing and maintaining effective 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 and other deficiencies that we consider to be significant deficiencies.

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

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be significant deficiencies.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF THE 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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response and 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, the Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 23, 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 ENGLISH
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	\$ 217,496	\$ 142,772	\$ 199,125	\$ 161,143
Petty Cash	50	-	-	50
Motor Vehicle Highway	28,551	18,829	20,615	26,765
Local Road And Street	10,472	3,787	2,031	12,228
Cemetery Operating	44,136	1,904	1,405	44,635
Law Enforcement Continuing Education	1,421	100	100	1,421
Riverboat	126,830	66,595	79,514	113,911
Parks And Recreation	3,705	-	-	3,705
Rainy Day	25,510	11,002	-	36,512
Revolving Loan Fund	73,284	576	-	73,860
Relocation	16	-	-	16
Cumulative Capital Development	11,718	3,458	-	15,176
Cedit Capital Projects	75,668	21,591	-	97,259
Payroll	2,832	47,510	45,591	4,751
Wastewater Utility-Operating	18,486	166,459	183,846	1,099
Wastewater Utility-Bond And Interest	17,235	54,000	53,110	18,125
Wastewater Utility-Depreciation	133,723	19,080	8,084	144,719
Wastewater Utility-Customer Deposit	11,000	1,200	3,337	8,863
Wastewater Utility-Construction	33,829	350	-	34,179
Wastewater Utility-Improvement	57,754	5,939	-	63,693
Water Utility-Operating	24,377	258,719	230,563	52,533
Water Utility-Depreciation	91,615	12,530	-	104,145
Water Utility-Customer Deposit	13,100	1,190	3,222	11,068
Water Utility-Construction	25,363	50,000	5,050	70,313
Totals	<u>\$ 1,048,171</u>	<u>\$ 887,591</u>	<u>\$ 835,593</u>	<u>\$ 1,100,169</u>

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

TOWN OF ENGLISH
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	\$ 161,143	\$ 764,107	\$ 742,061	\$ 183,189
Motor Vehicle Highway	26,765	16,575	14,977	28,363
Local Road And Street	12,228	3,114	1,675	13,667
Law Enforcement Continuing Education	1,421	-	-	1,421
Riverboat	113,911	55,795	99,077	70,629
Parks And Recreation	3,705	-	-	3,705
Rainy Day	36,512	-	-	36,512
Cumulative Capital Development	15,176	3,334	-	18,510
Cedit Capital Projects	97,259	18,479	800	114,938
Payroll	4,751	45,016	44,341	5,426
Petty Cash	50	-	-	50
Cemetery Operating	44,635	311	325	44,621
Revolving Loan Fund	73,860	-	-	73,860
Relocation	16	-	-	16
Wastewater Utility-Operating	1,099	149,780	150,441	438
Wastewater Utility-Bond And Interest	18,125	54,000	53,255	18,870
Wastewater Utility-Depreciation	144,719	18,595	-	163,314
Wastewater Utility-Customer Deposit	8,863	300	300	8,863
Wastewater Utility-Construction	34,179	285	4,000	30,464
Wastewater Utility-Improvement	63,693	5,697	-	69,390
Water Utility-Operating	52,533	255,297	240,749	67,081
Water Utility-Depreciation	104,145	11,427	-	115,572
Water Utility-Customer Deposit	11,068	100	300	10,868
Water Utility-Construction	70,313	686,107	621,280	135,140
Totals	<u>\$ 1,100,169</u>	<u>\$ 2,088,319</u>	<u>\$ 1,973,581</u>	<u>\$ 1,214,907</u>

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

TOWN OF ENGLISH
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 the following services: public safety, highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, 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 ENGLISH
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.

TOWN OF ENGLISH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

H. Restatement and Reclassifications

For the year ended December 31, 2009, certain changes have been made to the financial statement to more appropriately reflect activity of the Town. The following schedule presents a summary of restated beginning balances by fund. The prior period adjustment represents the balance of the Town's Payroll Fund that was not reported in the prior financial statement.

Fund	Balance as Reported December 31, 2009	Prior Period Adjustment	Balance as Restated January 1, 2010
Payroll	<u>\$ -</u>	<u>\$ 2,832</u>	<u>\$ 2,832</u>

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.

TOWN OF ENGLISH
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

The cash and investment balance as of December 31, 2011, of the Water Utility-Construction Fund, includes \$37,295.53 in retainage that belongs to contractors.

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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

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

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Cemetery Operating	Law Enforcement Continuing Education	Riverboat
Cash and investments - beginning	\$ 217,496	\$ 50	\$ 28,551	\$ 10,472	\$ 44,136	\$ 1,421	\$ 126,830
Receipts:							
Taxes	66,397	-	-	-	-	-	-
Licenses and permits	956	-	-	-	-	-	-
Intergovernmental	21,363	-	18,829	3,787	-	-	64,154
Charges for services	6,309	-	-	-	-	100	-
Fines and forfeits	1,884	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	45,863	-	-	-	1,904	-	2,441
Total receipts	142,772	-	18,829	3,787	1,904	100	66,595
Disbursements:							
Personal services	52,339	-	16,690	-	-	-	-
Supplies	1,587	-	-	316	-	-	36,504
Other services and charges	58,128	-	3,853	1,590	1,405	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	58,606	-	-	-	-	-	43,010
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	28,465	-	72	125	-	100	-
Total disbursements	199,125	-	20,615	2,031	1,405	100	79,514
Excess (deficiency) of receipts over disbursements	(56,353)	-	(1,786)	1,756	499	-	(12,919)
Cash and investments - ending	\$ 161,143	\$ 50	\$ 26,765	\$ 12,228	\$ 44,635	\$ 1,421	\$ 113,911

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

	Parks And Recreation	Rainy Day	Revolving Loan Fund	Relocation	Cumulative Capital Development	Cedit Capital Projects
Cash and investments - beginning	\$ 3,705	\$ 25,510	\$ 73,284	\$ 16	\$ 11,718	\$ 75,668
Receipts:						
Taxes	-	-	-	-	3,263	-
Licenses and permits	-	-	-	-	28	-
Intergovernmental	-	3,301	-	-	167	21,243
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	7,701	576	-	-	348
Total receipts	-	11,002	576	-	3,458	21,591
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	-	11,002	576	-	3,458	21,591
Cash and investments - ending	<u>\$ 3,705</u>	<u>\$ 36,512</u>	<u>\$ 73,860</u>	<u>\$ 16</u>	<u>\$ 15,176</u>	<u>\$ 97,259</u>

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

	Payroll	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Depreciation	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction
Cash and investments - beginning	\$ 2,832	\$ 18,486	\$ 17,235	\$ 133,723	\$ 11,000	\$ 33,829
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	166,459	-	-	-	-
Other receipts	47,510	-	54,000	19,080	1,200	350
Total receipts	47,510	166,459	54,000	19,080	1,200	350
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	53,110	-	-	-
Capital outlay	-	128	-	8,084	-	-
Utility operating expenses	-	89,875	-	-	3,337	-
Other disbursements	45,591	93,843	-	-	-	-
Total disbursements	45,591	183,846	53,110	8,084	3,337	-
Excess (deficiency) of receipts over disbursements	1,919	(17,387)	890	10,996	(2,137)	350
Cash and investments - ending	\$ 4,751	\$ 1,099	\$ 18,125	\$ 144,719	\$ 8,863	\$ 34,179

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

	Wastewater Utility-Improvement	Water Utility-Operating	Water Utility-Depreciation	Water Utility-Customer Deposit	Water Utility-Construction	Totals
Cash and investments - beginning	\$ 57,754	\$ 24,377	\$ 91,615	\$ 13,100	\$ 25,363	\$ 1,048,171
Receipts:						
Taxes	-	-	-	-	-	69,660
Licenses and permits	-	-	-	-	-	984
Intergovernmental	-	-	-	-	-	132,844
Charges for services	-	-	-	-	-	6,409
Fines and forfeits	-	-	-	-	-	1,884
Utility fees	-	258,719	-	-	-	425,178
Other receipts	5,939	-	12,530	1,190	50,000	250,632
Total receipts	5,939	258,719	12,530	1,190	50,000	887,591
Disbursements:						
Personal services	-	-	-	-	-	69,029
Supplies	-	-	-	-	-	38,407
Other services and charges	-	-	-	-	-	64,976
Debt service - principal and interest	-	-	-	-	-	53,110
Capital outlay	-	-	-	-	5,050	114,878
Utility operating expenses	-	166,756	-	3,222	-	263,190
Other disbursements	-	63,807	-	-	-	232,003
Total disbursements	-	230,563	-	3,222	5,050	835,593
Excess (deficiency) of receipts over disbursements	5,939	28,156	12,530	(2,032)	44,950	51,998
Cash and investments - ending	\$ 63,693	\$ 52,533	\$ 104,145	\$ 11,068	\$ 70,313	\$ 1,100,169

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

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Education	Riverboat	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 161,143	\$ 26,765	\$ 12,228	\$ 1,421	\$ 113,911	\$ 3,705	\$ 36,512
Receipts:							
Taxes	56,587	-	-	-	-	-	-
Licenses and permits	1,334	-	-	-	-	-	-
Intergovernmental	31,611	16,575	3,114	-	55,331	-	-
Fines and forfeits	1,792	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	672,783	-	-	-	464	-	-
Total receipts	<u>764,107</u>	<u>16,575</u>	<u>3,114</u>	<u>-</u>	<u>55,795</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	35,225	10,951	-	-	-	-	-
Supplies	3,105	-	-	-	1,010	-	-
Other services and charges	42,788	4,026	1,675	-	20,982	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	2,368	-	-	-	75,916	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	658,575	-	-	-	1,169	-	-
Total disbursements	<u>742,061</u>	<u>14,977</u>	<u>1,675</u>	<u>-</u>	<u>99,077</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>22,046</u>	<u>1,598</u>	<u>1,439</u>	<u>-</u>	<u>(43,282)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 183,189</u>	<u>\$ 28,363</u>	<u>\$ 13,667</u>	<u>\$ 1,421</u>	<u>\$ 70,629</u>	<u>\$ 3,705</u>	<u>\$ 36,512</u>

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

	Cumulative Capital Development	Cedit Capital Projects	Payroll	Petty Cash	Cemetery Operating	Revolving Loan Fund
Cash and investments - beginning	\$ 15,176	\$ 97,259	\$ 4,751	\$ 50	\$ 44,635	\$ 73,860
Receipts:						
Taxes	2,777	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	557	18,231	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	248	45,016	-	311	-
Total receipts	<u>3,334</u>	<u>18,479</u>	<u>45,016</u>	<u>-</u>	<u>311</u>	<u>-</u>
Disbursements:						
Personal services	-	-	44,341	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	800	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	325	-
Total disbursements	<u>-</u>	<u>800</u>	<u>44,341</u>	<u>-</u>	<u>325</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>3,334</u>	<u>17,679</u>	<u>675</u>	<u>-</u>	<u>(14)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 18,510</u>	<u>\$ 114,938</u>	<u>\$ 5,426</u>	<u>\$ 50</u>	<u>\$ 44,621</u>	<u>\$ 73,860</u>

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

	Relocation	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Depreciation	Wastewater Utility-Customer Deposit	Wastewater Utility-Construction
Cash and investments - beginning	\$ 16	\$ 1,099	\$ 18,125	\$ 144,719	\$ 8,863	\$ 34,179
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	137,141	-	-	-	-
Other receipts	-	12,639	54,000	18,595	300	285
Total receipts	-	149,780	54,000	18,595	300	285
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	53,255	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	73,041	-	-	-	-
Other disbursements	-	77,400	-	-	300	4,000
Total disbursements	-	150,441	53,255	-	300	4,000
Excess (deficiency) of receipts over disbursements	-	(661)	745	18,595	-	(3,715)
Cash and investments - ending	\$ 16	\$ 438	\$ 18,870	\$ 163,314	\$ 8,863	\$ 30,464

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

	Wastewater Utility-Improvement	Water Utility-Operating	Water Utility-Depreciation	Water Utility-Customer Deposit	Water Utility-Construction	Totals
Cash and investments - beginning	\$ 63,693	\$ 52,533	\$ 104,145	\$ 11,068	\$ 70,313	\$ 1,100,169
Receipts:						
Taxes	-	-	-	-	-	59,364
Licenses and permits	-	-	-	-	-	1,334
Intergovernmental	-	-	-	-	-	125,419
Fines and forfeits	-	-	-	-	-	1,792
Utility fees	-	240,427	-	100	-	377,668
Other receipts	5,697	14,870	11,427	-	686,107	1,522,742
Total receipts	<u>5,697</u>	<u>255,297</u>	<u>11,427</u>	<u>100</u>	<u>686,107</u>	<u>2,088,319</u>
Disbursements:						
Personal services	-	-	-	-	-	90,517
Supplies	-	-	-	-	-	4,115
Other services and charges	-	-	-	-	-	70,271
Debt service - principal and interest	-	-	-	-	-	53,255
Capital outlay	-	-	-	-	621,280	699,564
Utility operating expenses	-	163,110	-	-	-	236,151
Other disbursements	-	77,639	-	300	-	819,708
Total disbursements	<u>-</u>	<u>240,749</u>	<u>-</u>	<u>300</u>	<u>621,280</u>	<u>1,973,581</u>
Excess (deficiency) of receipts over disbursements	<u>5,697</u>	<u>14,548</u>	<u>11,427</u>	<u>(200)</u>	<u>64,827</u>	<u>114,738</u>
Cash and investments - ending	<u>\$ 69,390</u>	<u>\$ 67,081</u>	<u>\$ 115,572</u>	<u>\$ 10,868</u>	<u>\$ 135,140</u>	<u>\$ 1,214,907</u>

TOWN OF ENGLISH
 SCHEDULE OF DEBT
 December 31, 2011

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
English Sewer Works:			
Revenue bonds	1994 Sewer Project	\$ 719,000	\$ 55,000

TOWN OF ENGLISH
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 25,234
Buildings	264,486
Improvements other than buildings	13,805
Machinery, equipment and vehicles	120,206
Total governmental activities	423,731
English Sewer Works:	
Land	26,900
Buildings	752,927
Improvements other than buildings	2,029,446
Machinery, equipment and vehicles	1,313,986
Total English Sewer Works	4,123,259
English Water Works:	
Land	2,000
Buildings	76,485
Improvements other than buildings	1,537,762
Machinery, equipment and vehicles	127,363
Construction in progress	621,279
Total English Water Works	2,364,889
Total capital assets	\$ 6,911,879

TOWN OF ENGLISH
AUDIT RESULTS AND COMMENTS

CONDITION OF RECORDS

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

1. Timely Recordkeeping

Tax distributions received by the Town were not being posted to the ledger timely. During 2010 and 2011, the Town received 51 separate tax distribution checks from Crawford County. Of these checks, only two were receipted and posted to the ledger timely. The remaining checks were not receipted or recorded in the ledger until 14 to 314 days after the date of the tax distribution. Additionally, these checks were not deposited into the Town's bank account until 14 to 314 days after the distribution date. As a result of failing to record transactions in a timely manner, \$40,096.61 in tax distributions that should have been recorded in 2011 and included in the December 31, 2011 cash balances, were not posted to the records until 2012.

Daily collections received from customers of the Water and Wastewater Utility were not being posted timely to the Utility Simplified Cash Journal (SCJ) or to the Customer Accounts Receivable Ledger. Some collections were also not being deposited timely. An in depth review of customer utility collections for the month of September and October 2011, revealed that daily collections received were only posted to the customer accounts receivable ledger on five days in September and on three days in October. It was also noted that some of these collections were not deposited until 4 to 22 days after the collection had been posted to the customer accounts receivable ledger. Additionally, the Utility Clerk did not post collections to the SCJ until the following month after the unit had received the monthly bank statement. The collections posted to the SCJ by the Utility Clerk would consist of only those deposits that appeared on the bank statement.

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

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

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)

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."

TOWN OF ENGLISH
AUDIT RESULTS AND COMMENTS
(Continued)

2. Posting Errors

We noted the following posting errors:

A Riverboat Distribution in the amount \$24,606.41 received in June 2011, was incorrectly posted to the General Fund instead of the Riverboat Fund.

Uncorrected posting errors in the net amount of \$22,836.46 are being carried forward from one month to the next as reconciling items on the monthly bank reconciliations. These items include a \$20,000 investment posting error dated December 31, 2009, interest income of \$137.86 that was incorrectly posted to the records twice on May 31, 2010, and checks totaling \$2,974.32 that were incorrectly voided in the system twice on June 11, 2011. As a result of these uncorrected posting errors, the cash balances as reported at December 31, 2010 and 2011, are understated by \$20,000 and \$22,836.46, respectively.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employees may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

3. Reconciliation of Utility Customer Collections to Deposits

Payments posted by the Utility Clerk to the Customer Accounts Receivable Ledger were not being reconciled to the deposit to ensure all collections had been properly accounted for. The Utility accounts receivable program prints a "posted payment ledger report" after payments have been posted to the customer accounts. The total of the payments on this report should agree to the amount of the deposit made to ensure all payments have been accounted for. During the review of customer collections it was noted that the Utility Clerk posted payments and made bank deposits independently of one another. Totals on the payment reports could not always be tied to a specific deposit. Some instances were noted where the collections on the payment reports would be split into multiple deposits. These same deposits would consist of portions of collections from multiple posted payment ledger reports.

All proposed audit adjustments were approved by management and made to the financial statements to fairly present financial activity for the audit period.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employees may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

TOWN OF ENGLISH
AUDIT RESULTS AND COMMENTS
(Continued)

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

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)

LACK OF SEGREGATION OF DUTIES

Control activities should be selected and developed at various levels of the Town to reduce risks of errors and/or fraud of the financial statements. The Town has not separated incompatible activities related to receipts, vendor disbursements, and cash and investment balances as they relate to both the Town and its Utilities. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

The Clerk-Treasurer is responsible for collection of all Town monies, issuing receipts, preparing and making bank deposits, posting receipts transactions, and preparing monthly bank reconciliations for the Town. The Clerk-Treasurer is also responsible for preparing all vendor checks and posting vendor checks of the Town to the financial records.

The Utility Clerk is responsible for collection of all Utility monies, issuing utility receipts, preparing and making bank deposits, posting receipts transactions to the Utility Ledgers, and preparing monthly bank reconciliations for the Utilities. The Utility Clerk is also responsible for posting all vendor checks to the Utility Ledgers.

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

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 ENGLISH
AUDIT RESULTS AND COMMENTS
(Continued)

ANNUAL FINANCIAL REPORTS

The Annual Financial Reports for 2010 and 2011 were not completed and submitted until July 11, 2011 and July 2, 2012, respectively.

Indiana Code Sec. 5-11-1-4 (a) states:

"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. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

SALES TAX

Monthly sales tax remittances made by the Water Utility to the Indiana Department of Revenue were not properly calculated. The monthly sales tax remittances were calculated using the actual collections for the month instead of the actual amount billed for the month.

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)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY LATE FEES

Instances were noted where the penalties on water and wastewater utility late fees were charged more than once.

It is our audit position that the 10% penalty [on unpaid wastewater bills] specified in IC 36-9-23-31 should be assessed one time and one time only. Subsequent billings should not include additional assessments on this penalty. Similarly, unless specifically directed by statute, ordinance, or other legal directives, penalties on late fees for municipal utilities organized under IC 8-1.5 should be charged only one time. Future late charges should not include additional charges added to the penalties on late fees. (Cities and Towns Bulletin and Uniform Compliance Guidelines, March 2009)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

TO: THE OFFICIALS OF THE TOWN OF ENGLISH, CRAWFORD COUNTY, INDIANA

Compliance

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

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

In our opinion, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect to its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

This report is intended solely for the information and use of the Town's management, the Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 23, 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 ENGLISH
 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	14.228			
Grants in Hawaii				
Water Improvement Project		DR2-09-150	\$ <u> -</u>	\$ <u> 658,575</u>

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

TOWN OF ENGLISH
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 English 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 ENGLISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Noncompliance material to financial statements noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Program:

Name of Federal Program or Cluster

CDBG - State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 - CONDITION OF RECORDS/INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted the following deficiencies relating to the recordkeeping and in the internal control system of the Town relating to financial transactions and reporting:

We believe the following deficiencies constitute material weaknesses:

1. Timely Recordkeeping

Tax distributions received by the Town were not being posted to the ledger timely. During 2010 and 2011, the Town received 51 separate tax distribution checks from Crawford County. Of these checks, only two were receipted and posted to the ledger timely. The remaining checks were not receipted or recorded in the ledger until 14 to 314 days after

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

the date of the tax distribution. Additionally, these checks were not deposited into the Town's bank account until 14 to 314 days after the distribution date. As a result of failing to record transactions in a timely manner, \$40,096.61 in tax distributions that should have been recorded in 2011 and included in the December 31, 2011 cash balances, were not posted to the records until 2012.

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

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

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)

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."

2. Posting Errors

We noted the following posting errors:

A Riverboat Distribution in the amount of \$24,606.41 received in June 2011, was incorrectly posted to the General Fund instead of the Riverboat Fund.

Uncorrected posting errors in the net amount \$22,836.46 are being carried forward from one month to the next as reconciling items on the monthly bank reconciliations. These items include a \$20,000 investment posting error dated December 31, 2009, interest income of \$137.86 that was incorrectly posted to the records twice on May 31, 2010, and checks totaling \$2,974.34 that were incorrectly voided in the system twice on June 11, 2011. As a result of these uncorrected posting errors, the cash balances as reported at December 31, 2010 and 2011, are understated by \$20,000 and \$22,836.46, respectively.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employees may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

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

3. Lack of Segregation of Duties

Control activities should be selected and developed at various levels of the Town to reduce risks of errors and/or fraud of the financial statements. The Town has not separated incompatible activities related to receipts, vendor disbursements, and cash and investment balances as they relate to both the Town and its Utilities. The failure to establish these controls could enable material misstatements or irregularities to go undetected.

The Clerk-Treasurer is responsible for collection of all Town monies, issuing receipts, preparing and making bank deposits, posting receipts transactions, and preparing monthly bank reconciliations for the Town. The Clerk-Treasurer is also responsible for preparing all vendor checks and posting vendor checks of the Town to the financial records.

The Utility Clerk is responsible for collection of all Utility monies, issuing utility receipts, preparing and making bank deposits, posting receipts transactions to the Utility Ledgers, and preparing monthly bank reconciliations for the Utilities. The Utility Clerk is also responsible for posting all vendor checks to the Utility Ledgers.

We believe the following deficiencies constitute significant deficiencies:

1. Timely Recordkeeping

Daily collections received from customers of the Water and Wastewater Utility were not being posted timely to the Utility Simplified Cash Journal (SCJ) or to the Customer Accounts Receivable Ledger. Some collections were also not being deposited timely. An in depth review of customer utility collections for the month of September and October 2011, revealed that daily collections received were only posted to the customer accounts receivable ledger on five days in September and on three days in October. It was also noted that some of these collections were not deposited until 4 to 22 days after the collection had been posted to the customer accounts receivable ledger. Additionally, the Utility Clerk did not post collections to the SCJ until the following month after the unit had received the monthly bank statement. The collections posted to the SCJ by the Utility Clerk would consist of only those deposits that appeared on the bank statement.

Failure to record collections in a timely manner could result in inaccurate reporting and could allow fraud to occur and go undetected.

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

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

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

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

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."

2. Reconciliation of Utility Customer Collections to Deposits

Payments posted by the Utility Clerk to the Customer Accounts Receivable Ledger were not being reconciled to the deposit to ensure all collections had been properly accounted for. The Utility accounts receivable program prints a "posted payment ledger report" after payments have been posted to the customer accounts. The total of the payments on this report should agree to the amount of the deposit made to ensure all payments have been accounted for. During the review of customer collections it was noted that the Utility Clerk posted payments and made bank deposits independently of one another. Totals on the payment reports could not always be tied to a specific deposit. Some instances were noted where the collections on the payment reports would be split into multiple deposits. These same deposits would consist of portions of collections from multiple posted payment ledger reports.

Failure to reconcile daily customer collections to the deposits could allow inaccurate reporting and allow fraud to occur and go undetected.

All proposed audit adjustments were approved by management and made to the financial statements to fairly present financial activity for the audit period.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employees may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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

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)

We recommended that the Town design and properly monitor procedures that would ensure that the internal control deficiencies noted are adequately corrected.

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

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF ENGLISH
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF ENGLISH

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Michael Benham, President
David Sillings
Nancy King

Donnie King, Vice-president
Beulah Redden
Wayne, Carothers, Clerk-Treasurer

August 23, 2012

Indiana State Board of Accounts
302 W Washington ST, Room E418
Indianapolis, IN 46204-2765

Re: 2011 Town of English – Corrective Action Plan

Please accept this letter as the corrective action plan for the audit findings noted in the 2011 audit report of the Town of English. Our plan is as follows:

Finding 2011-1- Condition of Records/Internal Controls over Financial Transactions and Reporting

Contact Person: Wayne Carothers

Title: Clerk-Treasurer

Phone Number: 812-338-2654 or 812-267-2882

1. All documents and distributions will be receipted and deposited in a timely manner as prescribed, by no later than the following business day of receipt.
2. All posting errors have been corrected and reports will be generated and will match to the computerized bank registers and fund balances each month. Going forward all errors will be corrected upon their discovery.
3. Control activities have been implemented for segregation of duties. Each month the Clerk-Treasurer will present all financial fund reports and bank reconciliations to the council for their review and approval. All supporting documents will be available at the meeting for review. Council will review and accept these reports and as such will be recorded in the minutes.
4. The utility customer collections to deposit will be reconciled to the deposits made on a daily or each deposit and those report reconciliations will be reviewed no less than on a weekly basis.

Respectfully,



Wayne Carothers, Clerk-Treasurer
Town of English

TOWN OF ENGLISH
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2012, with Wayne Carothers, Clerk-Treasurer; Michael E. Benham, President of the Town Council; and Michael Huddleston, Town Manager. The Official Response has been made a part of this report and may be found on pages 46 through 48.

TOWN OF ENGLISH

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Michael Benham, President
David Sillings
Nancy King

Donnie King, Vice-president
Beulah Redden
Wayne, Carothers, Clerk-Treasurer

August 23, 2012

Indiana State Board of Accounts
302 W Washington ST, Room E418
Indianapolis, IN 46204-2765

Re: OFFICIAL RESPONSE
Town of English, 2010/2011 Audit Report

We would like to submit this letter in response to the 2011 Audit Report of the Town of English. We acknowledge the findings and have submitted and implemented a corrective action plan going forward. However, we want to explain for clarification that during 2011 and early 2012 there were circumstances unforeseen that led to some of the deficiencies outlined in the report. In mid 2011, after having moved locations in late 2010 and early 2011, the computer that had the financial program on it, went down due to a power surge. We worked with our vendor for them to recover the data on the system, this was done and we started moving forward, then the second computer crashed on us and but this time data recovery was unsuccessful.

We patiently waited for the technicians and programmers to attempt to recover this data. In order for the town to move on with its day to day operations and we wrote checks by hand and kept an unofficial log. When it was discovered that the data could not be recovered, we purchased a new computer and installed our program. During this process it was discovered that our data backup was not working properly and the data was not backed up in 2011. In early 2012 when everything was ready to be input into the system, the Deputy Clerk, became suddenly ill and was on a 2 month FMLA leave of absence. Coupling this with the tedious and timely task of inputting data that was done by hand to the system and getting those numbers to balance was very time consuming. Let alone the additional work load of the deputy clerk now falling upon the Clerk-Treasurer. There was assistance from others, including the Town Manager and council members volunteering to assist with the utility end. The General ledger entries were entered into the computer, but a whole 12 months had to be entered and matched up. Needless to say it was cumbersome.

We have corrected this deficiency going forward to ensure this type of occurrence will not happen again. We have subscribed to off-site back up of our data. We do internal back up and have purchased a safe to keep these back-ups in. Back ups are done on a weekly if not daily basis, dependent upon the amount of data entered into that day's work.

We have invested in battery back-up devices with surge protectors on them in an attempt to alleviate this problem occurring. Additionally we are committed and will be testing our data back up on a semi-annual basis.

Additionally, our staff is part-time and each of us has other jobs that take our time during normal business hours. The system works, but when you have to contact the software vendor, we have to make appointments to discuss without jeopardizing our full time jobs. It is difficult to “juggle” the schedules and sometimes causes some additional delay if technical support is needed.

In response to the tax distributions not being posted timely, we acknowledge some were not receipted as quickly as we would like but due to the circumstances noted above we were hoping each month that we would be back up and running efficiently. Not to minimize the importance and statutory requirements, but the report is written to be much worse than it actually was. The one check that was 314 days old was in an envelope which was put in the month’s folder accidentally and when discovered it was immediately deposited and receipted. Secondly, sometimes the bank’s business day and the time that we receive the check and deposit can be off a couple of days. Thirdly, we cannot guarantee the postal service will deliver the check to us timely. If it is sent to the wrong address or the wrong recipient receives the check, additional time may lapse. As well, we cannot ensure when the county writes the check that we receive it on that day. It could be a couple of days before it is mailed, and then if it is put in the outgoing mail, it is delivered to Louisville and normally is sent back, but occasionally mail is misdirected. There was one instance where the deposit book with the individual deposits were given to the bank teller and the teller overlooked one deposit and was not taken back to the bank for awhile, as no other monies were received. We want to note that no monies are missing nor misused. These were checks made out to the Town of English and no one else could cash them. They would be required to be deposited once presented to our financial institution.

The delay of the annual report filing was due to the aforementioned occurrences. The reconciliation and inputting of data had to occur first before the report could be correctly submitted. 2011 brought with it the change to the gateway program for both budgets and annual reporting. Learning a new way was difficult as well and we encountered the first growing pains along with other units. However, our staff being part-time it was difficult to find the time to be able to meet and discuss the issues to correct the problems.

In 2010, the report was done before February 28, 2011 and I e-mailed it to the SBOA via the link in the program. I thought it had been sent, however, upon call from SBOA in June, they said it did not go through, and that if I did not send it via, Microsoft Outlook , (not Outlook express) it would not have been received. I submitted a hard copy via the US postal service upon that notification.

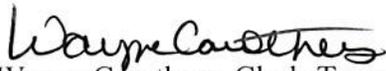
As far as the action plan for the weaknesses and deficiencies, within the utility collections, we believe our plan speaks for itself and we most definitely appreciate these matters being brought to our attention. We had been doing the same process for more than 16 years and no one had ever pointed out these issues to us before. We take our audits very seriously and implement the necessary procedures and changes given to us

during the audits, and have changed things over the years based upon input and suggestions from the State Board of Accounts.

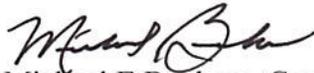
There was no malfeasance intended and no funds have been misspent, misused or missing. We anticipate that with the changes we have immediately implemented and others in consideration, that these types of occurrences will not be an issue in the future. Some of the changes we will be implementing soon will be new utility billing software that is updated and all reports will flow into one report; the new data and software will allow upload into the Gateway reporting system to facilitate timely filing, as well as other new enhancements to keep the town moving forward. We are proud that we have been able to keep our operating costs low and to have the facilities and equipment to keep us up to date and operate efficiently. However, a hard lesson learned for us was to keep all systems up to date, maintenance and replacement plans; and to regularly check those systems and back up process to ensure reliability. This we have done.

Respectfully,

Town of English



Wayne Carothers, Clerk-Treasurer



Michael E Benham, Council President