

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

FINANCIAL STATEMENTS AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ELBERFELD
WARRICK COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
09/27/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Theresa Freels	01-01-10 to 12-31-11
	Mandy Kirsch	01-01-12 to 12-31-15
President of the Town Council	Duane Erwin	01-01-10 to 12-31-10
	Steve Gibson	01-01-11 to 12-31-11
	Scott Dowers	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ELBERFELD, WARRICK COUNTY, INDIANA

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

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 September 11, 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 is the responsibility of management and was derived from and relates directly to 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 Payables and Receivables, and Schedule of Leases and Debt, 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.

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

September 11, 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 ELBERFELD, WARRICK COUNTY, INDIANA

We have audited the financial statements of the Town of Elberfeld (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated September 11, 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.

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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF 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 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

September 11, 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 ELBERFELD
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	\$ 57,361	\$ 85,701	\$ 74,733	\$ 68,329
Levy Excess	-	598	-	598
Motor Vehicle Highway	52,132	26,063	30,907	47,288
Local Road And Street	338	7,008	952	6,394
Economic Development Operating	144,966	65,900	8,254	202,612
Rainy Day	832	-	-	832
Cumulative Capital Improvement Cigarette Tax	29,657	2,334	-	31,991
Cumulative Capital Development	16,669	2,846	130	19,385
Fire Equipment Replacement	99,751	66,650	29,168	137,233
Fire Protection	21,587	98,796	87,629	32,754
Donations	317	426	544	199
Payroll	197	193,548	196,488	(2,743)
Water Operating	86,059	285,361	327,477	43,943
Water Bond And Interest	3,656	18,344	17,313	4,687
Water Improvement	10,875	5,665	-	16,540
Water Customer Deposit	37,270	2,461	1,426	38,305
Water Bond Reserve	21,810	-	-	21,810
Wastewater Operating	50,250	1,178,723	999,989	228,984
Wastewater Bond And Interest	39,970	143,958	183,928	-
Wastewater Improvement	22,177	7,151	-	29,328
Wastewater Customer Deposit	2,103	600	565	2,138
Wastewater Construction	-	759,000	759,000	-
Wastewater Bond Reserve	107,800	141,970	249,770	-
Wastewater SRF Bond And Interest	-	158,939	21,712	137,227
Wastewater SRF Bond Reserve	-	141,973	-	141,973
Wastewater SRF Construction	-	29,304	-	29,304
Totals	\$ 805,777	\$ 3,423,319	\$ 2,989,985	\$ 1,239,111

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

TOWN OF ELBERFELD
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	\$ 68,329	\$ 90,727	\$ 102,357	\$ 56,699
Levy Excess	598	-	-	598
Motor Vehicle Highway	47,288	27,287	36,647	37,928
Local Road And Street	6,394	8,532	2,418	12,508
Economic Development Operating	202,612	40,547	28,488	214,671
Rainy Day	832	-	-	832
Cumulative Capital Improvement Cigarette Tax	31,991	2,027	-	34,018
Cumulative Capital Development	19,385	2,903	3,302	18,986
Fire Equipment Replacement	137,233	25,972	-	163,205
Fire Protection	32,754	96,148	67,029	61,873
Donations	199	675	381	493
Payroll	(2,743)	217,054	214,098	213
Water Operating	43,943	264,146	271,401	36,688
Water Bond And Interest	4,687	18,747	16,982	6,452
Water Improvement	16,540	5,605	-	22,145
Water Customer Deposit	38,305	3,099	1,375	40,029
Water Bond Reserve	21,810	-	-	21,810
Wastewater Operating	228,984	436,807	403,203	262,588
Wastewater Bond and Interest	-	187,368	187,368	-
Wastewater Improvement	29,328	7,086	-	36,414
Wastewater Customer Deposit	2,138	300	300	2,138
Wastewater Construction	-	41,422	41,422	-
Wastewater Bond Reserve	-	11,004	11,004	-
Wastewater SRF Bond and Interest	137,227	171,755	287,648	21,334
Wastewater SRF Bond Reserve	141,973	11,004	-	152,977
Wastewater SRF Construction	29,304	1	-	29,305
Totals	<u>\$ 1,239,111</u>	<u>\$ 1,670,216</u>	<u>\$ 1,675,423</u>	<u>\$ 1,233,904</u>

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

TOWN OF ELBERFELD
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.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

TOWN OF ELBERFELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

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.

TOWN OF ELBERFELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF ELBERFELD
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

Note 5. Risk Management

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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

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

	General	Levy Excess	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Rainy Day	Cumulative Capital Improvement Cigarette Tax
Cash and investments - beginning	\$ 57,361	\$ -	\$ 52,132	\$ 338	\$ 144,966	\$ 832	\$ 29,657
Receipts:							
Taxes	77,933	598	-	-	-	-	-
Intergovernmental	-	-	25,608	7,008	65,640	-	2,126
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,768	-	455	-	260	-	208
Total receipts	<u>85,701</u>	<u>598</u>	<u>26,063</u>	<u>7,008</u>	<u>65,900</u>	<u>-</u>	<u>2,334</u>
Disbursements:							
Personal services	47,288	-	23,520	-	-	-	-
Supplies	1,135	-	5,565	-	-	-	-
Other services and charges	26,310	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	1,822	952	8,254	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>74,733</u>	<u>-</u>	<u>30,907</u>	<u>952</u>	<u>8,254</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>10,968</u>	<u>598</u>	<u>(4,844)</u>	<u>6,056</u>	<u>57,646</u>	<u>-</u>	<u>2,334</u>
Cash and investments - ending	<u>\$ 68,329</u>	<u>\$ 598</u>	<u>\$ 47,288</u>	<u>\$ 6,394</u>	<u>\$ 202,612</u>	<u>\$ 832</u>	<u>\$ 31,991</u>

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

	Cumulative Capital Development	Fire Equipment Replacement	Fire Protection	Donations	Payroll	Water Operating	Water Bond And Interest
Cash and investments - beginning	\$ 16,669	\$ 99,751	\$ 21,587	\$ 317	\$ 197	\$ 86,059	\$ 3,656
Receipts:							
Taxes	2,719	66,650	98,796	-	-	-	-
Intergovernmental	35	-	-	-	-	-	-
Utility fees	-	-	-	-	-	209,253	-
Penalties	-	-	-	-	-	3,612	-
Other receipts	92	-	-	426	193,548	72,496	18,344
Total receipts	2,846	66,650	98,796	426	193,548	285,361	18,344
Disbursements:							
Personal services	-	-	5,600	-	-	-	-
Supplies	-	-	46,173	-	-	-	-
Other services and charges	-	-	35,856	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	17,313
Capital outlay	130	-	-	-	-	11,469	-
Utility operating expenses	-	-	-	-	-	191,631	-
Other disbursements	-	29,168	-	544	196,488	124,377	-
Total disbursements	130	29,168	87,629	544	196,488	327,477	17,313
Excess (deficiency) of receipts over disbursements	2,716	37,482	11,167	(118)	(2,940)	(42,116)	1,031
Cash and investments - ending	\$ 19,385	\$ 137,233	\$ 32,754	\$ 199	\$ (2,743)	\$ 43,943	\$ 4,687

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

	Water Improvement	Water Customer Deposit	Water Bond Reserve	Wastewater Operating	Wastewater Bond And Interest	Wastewater Improvement	Wastewater Customer Deposit
Cash and investments - beginning	\$ 10,875	\$ 37,270	\$ 21,810	\$ 50,250	\$ 39,970	\$ 22,177	\$ 2,103
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	726,837	-	-	-
Utility fees	-	-	-	244,132	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	5,665	2,461	-	207,754	143,958	7,151	600
Total receipts	<u>5,665</u>	<u>2,461</u>	<u>-</u>	<u>1,178,723</u>	<u>143,958</u>	<u>7,151</u>	<u>600</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	81,512	-	-	-
Utility operating expenses	-	279	-	87,964	-	-	156
Other disbursements	-	1,147	-	830,513	183,928	-	409
Total disbursements	<u>-</u>	<u>1,426</u>	<u>-</u>	<u>999,989</u>	<u>183,928</u>	<u>-</u>	<u>565</u>
Excess (deficiency) of receipts over disbursements	<u>5,665</u>	<u>1,035</u>	<u>-</u>	<u>178,734</u>	<u>(39,970)</u>	<u>7,151</u>	<u>35</u>
Cash and investments - ending	<u>\$ 16,540</u>	<u>\$ 38,305</u>	<u>\$ 21,810</u>	<u>\$ 228,984</u>	<u>\$ -</u>	<u>\$ 29,328</u>	<u>\$ 2,138</u>

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

	Wastewater Construction	Wastewater Bond Reserve	Wastewater SRF Bond And Interest	Wastewater SRF Bond Reserve	Wastewater SRF Construction	Totals
Cash and investments - beginning	\$ -	\$ 107,800	\$ -	\$ -	\$ -	\$ 805,777
Receipts:						
Taxes	-	-	-	-	-	246,696
Intergovernmental	-	-	-	-	-	827,254
Utility fees	-	-	-	-	-	453,385
Penalties	-	-	-	-	-	3,612
Other receipts	759,000	141,970	158,939	141,973	29,304	1,892,372
Total receipts	<u>759,000</u>	<u>141,970</u>	<u>158,939</u>	<u>141,973</u>	<u>29,304</u>	<u>3,423,319</u>
Disbursements:						
Personal services	-	-	-	-	-	76,408
Supplies	-	-	-	-	-	52,873
Other services and charges	-	-	-	-	-	62,166
Debt service - principal and interest	-	-	21,712	-	-	39,025
Capital outlay	-	-	-	-	-	104,139
Utility operating expenses	-	-	-	-	-	280,030
Other disbursements	759,000	249,770	-	-	-	2,375,344
Total disbursements	<u>759,000</u>	<u>249,770</u>	<u>21,712</u>	<u>-</u>	<u>-</u>	<u>2,989,985</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(107,800)</u>	<u>137,227</u>	<u>141,973</u>	<u>29,304</u>	<u>433,334</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 137,227</u>	<u>\$ 141,973</u>	<u>\$ 29,304</u>	<u>\$ 1,239,111</u>

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

	General	Levy Excess	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Rainy Day	Cumulative Capital Improvement Cigarette Tax
Cash and investments - beginning	\$ 68,329	\$ 598	\$ 47,288	\$ 6,394	\$ 202,612	\$ 832	\$ 31,991
Receipts:							
Taxes	78,422	-	13,638	-	-	-	-
Intergovernmental	4,432	-	13,649	8,532	40,297	-	1,827
Charges for services	335	-	-	-	-	-	-
Fines and forfeits	2,930	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	4,608	-	-	-	250	-	200
Total receipts	90,727	-	27,287	8,532	40,547	-	2,027
Disbursements:							
Personal services	72,638	-	26,457	-	-	-	-
Supplies	1,207	-	6,154	-	-	-	-
Other services and charges	26,635	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	1,860	-	3,092	2,418	28,488	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	17	-	944	-	-	-	-
Total disbursements	102,357	-	36,647	2,418	28,488	-	-
Excess (deficiency) of receipts over disbursements	(11,630)	-	(9,360)	6,114	12,059	-	2,027
Cash and investments - ending	\$ 56,699	\$ 598	\$ 37,928	\$ 12,508	\$ 214,671	\$ 832	\$ 34,018

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

	Cumulative Capital Development	Fire Equipment Replacement	Fire Protection	Donations	Payroll	Water Operating	Water Bond And Interest
Cash and investments - beginning	\$ 19,385	\$ 137,233	\$ 32,754	\$ 199	\$ (2,743)	\$ 43,943	\$ 4,687
Receipts:							
Taxes	2,574	145	95,352	-	-	12,806	-
Intergovernmental	68	-	504	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	3,539	-
Penalties	-	-	-	-	-	4,227	-
Other receipts	261	25,827	292	675	217,054	243,574	18,747
Total receipts	2,903	25,972	96,148	675	217,054	264,146	18,747
Disbursements:							
Personal services	-	-	7,188	-	214,098	-	-
Supplies	-	-	21,955	-	-	-	-
Other services and charges	-	-	37,886	381	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	16,982
Capital outlay	3,302	-	-	-	-	14,887	-
Utility operating expenses	-	-	-	-	-	212,668	-
Other disbursements	-	-	-	-	-	43,846	-
Total disbursements	3,302	-	67,029	381	214,098	271,401	16,982
Excess (deficiency) of receipts over disbursements	(399)	25,972	29,119	294	2,956	(7,255)	1,765
Cash and investments - ending	\$ 18,986	\$ 163,205	\$ 61,873	\$ 493	\$ 213	\$ 36,688	\$ 6,452

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

	Water Improvement	Water Customer Deposit	Water Bond Reserve	Wastewater Operating	Wastewater Bond and Interest	Wastewater Improvement	Wastewater Customer Deposit
Cash and investments - beginning	\$ 16,540	\$ 38,305	\$ 21,810	\$ 228,984	\$ -	\$ 29,328	\$ 2,138
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	2,985	-	1,625	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	5,605	114	-	435,182	187,368	7,086	300
Total receipts	5,605	3,099	-	436,807	187,368	7,086	300
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	187,368	-	300
Capital outlay	-	-	-	27,671	-	-	-
Utility operating expenses	-	-	-	106,776	-	-	-
Other disbursements	-	1,375	-	268,756	-	-	-
Total disbursements	-	1,375	-	403,203	187,368	-	300
Excess (deficiency) of receipts over disbursements	5,605	1,724	-	33,604	-	7,086	-
Cash and investments - ending	\$ 22,145	\$ 40,029	\$ 21,810	\$ 262,588	\$ -	\$ 36,414	\$ 2,138

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

	Wastewater Construction	Wastewater Bond Reserve	Wastewater SRF Bond and Interest	Wastewater SRF Bond Reserve	Wastewater SRF Construction	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 137,227	\$ 141,973	\$ 29,304	\$ 1,239,111
Receipts:						
Taxes	-	-	-	-	-	202,937
Intergovernmental	-	-	-	-	-	69,309
Charges for services	-	-	-	-	-	335
Fines and forfeits	-	-	-	-	-	2,930
Utility fees	-	-	-	-	-	8,149
Penalties	-	-	-	-	-	4,227
Other receipts	41,422	11,004	171,755	11,004	1	1,382,329
Total receipts	41,422	11,004	171,755	11,004	1	1,670,216
Disbursements:						
Personal services	-	-	-	-	-	320,381
Supplies	-	-	-	-	-	29,316
Other services and charges	-	-	-	-	-	64,902
Debt service - principal and interest	-	11,004	287,648	-	-	503,302
Capital outlay	41,422	-	-	-	-	123,140
Utility operating expenses	-	-	-	-	-	319,444
Other disbursements	-	-	-	-	-	314,938
Total disbursements	41,422	11,004	287,648	-	-	1,675,423
Excess (deficiency) of receipts over disbursements	-	-	(115,893)	11,004	1	(5,207)
Cash and investments - ending	\$ -	\$ -	\$ 21,334	\$ 152,977	\$ 29,305	\$ 1,233,904

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ -	\$ -
Wastewater	-	28,934
Water	<u>4,499</u>	<u>18,303</u>
Totals	<u>\$ 4,499</u>	<u>\$ 47,237</u>

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	Municipal Bond with SRF - 1997A Bond	\$ 685,000	\$ 82,925
Revenue bonds	Municipal Bond with SRF - 2000B Bond	395,000	48,213
Revenue bonds	Municipal Bond with SRF - 2009A Bond	<u>845,000</u>	<u>54,134</u>
Total Wastewater		<u>1,925,000</u>	<u>185,272</u>
Water:			
Revenue bonds	Elberfeld Waterworks Municipal Bond	<u>160,000</u>	<u>16,633</u>
Totals		<u>\$ 2,085,000</u>	<u>\$ 201,905</u>

TOWN OF ELBERFELD
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:

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.

Reporting of State Revolving Loan Funds: A deficiency exists with the handling of the State Revolving Loan Funds (SRF). Several bank accounts are maintained for accounting of the funds for construction and debt repayment related to SRF money received for a construction project related to the Town's Wastewater Utility. The activity of these funds is not accounted for on the Town's records. These bank accounts are not reconciled by the Town. By the lack of oversight over these accounts, the Town could allow fraud or errors to occur in these funds.

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 executions 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)

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain sufficient detailed records of capital assets. A similar comment was in the prior report.

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

TOWN OF ELBERFELD
AUDIT RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the cash and investment balance of the customer deposit fund. A similar comment was in prior reports.

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

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn in 2010.

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 MATURITY LIMITATIONS

The governmental unit purchased an investment which has a stated maturity in excess of two years.

Prior to its amendment, effective July 1, 2012, Indiana Code 5-13-9-5.6 stated in part:

". . . investments made under this chapter must have a stated final maturity of not more than:

- (1) five (5) years for a conservancy district . . .
- (2) five (5) years for investments made from a host community agreement future fund . . . or
- (3) two (2) years for a fund or political subdivision not described in subdivision (1) or (2); after the date of purchase or entry into a repurchase agreement."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF ELBERFELD, WARRICK COUNTY, INDIANA

Compliance

We have audited the Town of Elberfeld'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 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.

As described in item 2011-2 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Community Development Block Grants/State's Program and Non-Entitlement Grants to Hawaii Program and its Capitalization Grants for Clean Water State Revolving Funds Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Town complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its other major federal programs for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with

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)

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.

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

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2 to be a material weakness.

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

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

STATE BOARD OF ACCOUNTS

September 11, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF ELBERFELD
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 to Hawaii Sewer Rehab Project	14.228	DR2-09-039	\$ 781,782	\$ 96,518
Total for federal grantor agency			<u>781,782</u>	<u>96,518</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds Sewer Rehab Project	66.458	WW 09 11 08 704	299,515	17,251
Total for federal grantor agency			<u>299,515</u>	<u>17,251</u>
Total federal awards expended			<u>\$ 1,081,297</u>	<u>\$ 113,769</u>

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

TOWN OF ELBERFELD
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 Elberfeld 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 ELBERFELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Qualified
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 ELBERFELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. Reporting of State Revolving Loan Funds: A deficiency exists with the handling of the State Revolving Loan Funds (SRF). Several bank accounts are maintained for accounting of the funds for construction and debt repayment related to SRF money received for a construction project related to the Town's Wastewater Utility. The activity of these funds is not accounted for on the Town's records. These bank accounts are not reconciled by the Town. By the lack of oversight over these accounts, the Town could allow fraud or errors to occur in these funds.

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 executions 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 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. 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: DR-2-09-039
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Federal Agency: U.S. Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Water State Revolving Funds
CFDA Number: 66.458
Federal Award Number and Year: WW 09 11 08 704
Pass-Through Entity: Indiana Finance Authority

The Wastewater Utility does not maintain capital asset records in accordance with federal regulations.

24 CFR 85.32(d) and 40 CFR 31.32 states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of the property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.
- (3) A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft shall be investigated.
- (4) Adequate maintenance procedures must be developed to keep the property in good condition.
- (5) If the grantee or subgrantee is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly.

We recommended that the Town ensure detailed capital asset records are maintained and that inventories of property and equipment are conducted at least once every two years and reconciled to the detailed capital asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

TOWN OF ELBERFELD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

**TOWN OF ELBERFELD
PO BOX 37
ELBERFELD, IN 47613
(812) 983-4365**

**Scott Dowers, Council President
Steve Gibson, Council Member
Jeff Valiant, Council Member**

**Mandy Kirsch, Clerk-Treasurer
Cathy Dowers, Utility Clerk**

September 11, 2012

Corrective Action Plan

Auditee Contact Person: Mandy Kirsch
Title of Contact Person: Clerk-Treasurer
Phone Number: (812) 983-4365

Section II Financial Statement Finding

Federal Finding 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

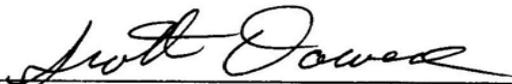
Lack of Segregation of Duties – The Town Council and the Clerk Treasurer will review office procedures and attempt to institute duties that would involve, as least on a sample basis, reviews of work being performed by each office employee. However, the Town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risk inherent with the current design of the business office.

Reporting of State Revolving Loan Funds- The Clerk-Treasurer will establish ledger pages in 2012 to account for any active SRF funds pertaining to the sewer rehabilitation project and any 2012 activity will be included on the 2012 Cities and Towns Annual Report.

Section III Financial Statement Finding

Federal Finding 2011-2, EQUIPMENT AND REAL PROPERTY MANAGEMENT

The Town Council plans to review the capitalization policy and will work with the Clerk-Treasurer in order to ensure that adequate capital asset records are established.



Scott Dowers, Town Council President



Mandy Kirsch, Clerk-Treasurer

TOWN OF ELBERFELD
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2012, with Theresa Freels, former Clerk-Treasurer; Mandy Kirsch, Clerk-Treasurer; and Scott Dowers, President of the Town Council. The officials concurred with our audit findings.