

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NEW RICHMOND
MONTGOMERY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
06/12/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	10
Notes to Financial Statement	11-14
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-21
Schedule of Leases and Debt	22
Schedule of Capital Assets	23
Audit Results and Comments:	
Internal Controls Over Financial Transactions and Reporting	24-25
Bank Account Reconciliations	25
Fund Sources and Uses	26
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	28-29
Schedule of Expenditures of Federal Awards	32
Note to Schedule of Expenditures of Federal Awards	33
Schedule of Findings and Questioned Costs	34-37
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	38
Corrective Action Plan	39
Exit Conference	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathryn Sering	01-01-08 to 12-31-15
President of the Town Council	Jeremy Potter Christopher D. Patterson	01-01-11 to 12-31-11 01-01-12 to 12-31-13
Superintendent of Utilities	Ramon Knutti	01-01-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW RICHMOND, MONTGOMERY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of New Richmond (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement 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 statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated April 30, 2013, 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* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. 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 statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records

INDEPENDENT AUDITOR'S REPORT
(Continued)

used to prepare the financial statement or to the financial statement itself, 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 statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and 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 statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

April 30, 2013



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

TO: THE OFFICIALS OF THE TOWN OF NEW RICHMOND, MONTGOMERY COUNTY, INDIANA

We have audited, 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, the financial statement of the Town of New Richmond (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated April 30, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 statement 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 2012-1 to be a material weakness.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is 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*.

Town of New Richmond's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 30, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

TOWN OF NEW RICHMOND
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	12-31-12
General Fund	\$ 46,690	\$ 84,462	\$ 111,418	\$ 19,734	\$ 102,976	\$ 90,780	\$ 31,930
Motor Vehicle Highway	5,320	19,347	14,007	10,660	70,585	74,866	6,379
Local Road & Street	2,917	1,649	1,868	2,698	1,669	2,038	2,329
Community Room	23	750	100	673	875	225	1,323
Local Law Enf Cont Ed	795	1,626	2,421	-	210	-	210
Park & Recreation	3,643	-	1,544	2,099	-	2,099	-
Rainy Day	20,215	33,150	10,824	42,541	-	20,356	22,185
Cum Cap Imp - Cig Tax	539	2,092	-	2,631	-	-	2,631
Lagoon Repair Donation Fu	409	-	-	409	-	-	409
Doc Grant Fund	15,776	611,813	611,419	16,170	431,277	446,193	1,254
Levy Excess Fund	143	-	-	143	-	-	143
Sewage Utility Operating	14,841	96,744	97,476	14,109	99,153	85,830	27,432
Sewer Sinking	-	38,906	38,906	-	39,750	39,750	-
Sewer Debt Reserve	20,266	7,080	-	27,346	8,110	-	35,456
Water Debt Reserve	17,741	932	-	18,673	1,040	19,000	713
Water Utility Operating	19,083	62,473	69,572	11,984	98,386	102,134	8,236
Water Util Meter Deposit	11,468	2,393	6,151	7,710	1,854	1,357	8,207
Trash	3,984	19,658	18,762	4,880	19,071	17,323	6,628
Totals	<u>\$ 183,853</u>	<u>\$ 983,075</u>	<u>\$ 984,468</u>	<u>\$ 182,460</u>	<u>\$ 874,956</u>	<u>\$ 901,951</u>	<u>\$ 155,465</u>

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

TOWN OF NEW RICHMOND
NOTES TO FINANCIAL STATEMENT

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 statement presents the financial information for the Town.

B. Basis of Accounting

The financial statement is 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 statement. The aggregate receipts include the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

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

TOWN OF NEW RICHMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. 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.

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 NEW RICHMOND
NOTES TO FINANCIAL STATEMENT
(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.

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.

TOWN OF NEW RICHMOND
NOTES TO FINANCIAL STATEMENT
(Continued)

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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 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 statement 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 NEW RICHMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Motor Vehicle Highway	Local Road & Street	Community Room	Local Law Enf Cont Ed	Park & Recreation	Rainy Day
Cash and investments - beginning	\$ 46,690	\$ 5,320	\$ 2,917	\$ 23	\$ 795	\$ 3,643	\$ 20,215
Receipts:							
Taxes	54,521	-	-	-	-	-	33,150
Licenses and permits	-	-	-	-	1,626	-	-
Intergovernmental	29,820	19,347	1,649	750	-	-	-
Fines and forfeits	121	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>84,462</u>	<u>19,347</u>	<u>1,649</u>	<u>750</u>	<u>1,626</u>	<u>-</u>	<u>33,150</u>
Disbursements:							
Personal services	25,264	10,056	-	-	-	-	-
Supplies	9,139	-	-	-	2,421	1,544	-
Other services and charges	54,032	-	-	100	-	-	10,824
Capital outlay	22,983	3,951	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	1,868	-	-	-	-
Total disbursements	<u>111,418</u>	<u>14,007</u>	<u>1,868</u>	<u>100</u>	<u>2,421</u>	<u>1,544</u>	<u>10,824</u>
Excess (deficiency) of receipts over disbursements	<u>(26,956)</u>	<u>5,340</u>	<u>(219)</u>	<u>650</u>	<u>(795)</u>	<u>(1,544)</u>	<u>22,326</u>
Cash and investments - ending	<u>\$ 19,734</u>	<u>\$ 10,660</u>	<u>\$ 2,698</u>	<u>\$ 673</u>	<u>\$ -</u>	<u>\$ 2,099</u>	<u>\$ 42,541</u>

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

	Cum Cap Imp - Cig Tax	Lagoon Repair Donation Fu	Doc Grant Fund	Levy Excess Fund	Sewage Utility Operating	Sewer Sinking
Cash and investments - beginning	\$ 539	\$ 409	\$ 15,776	\$ 143	\$ 14,841	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	2,092	-	611,813	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	95,024	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	1,720	38,906
Total receipts	<u>2,092</u>	<u>-</u>	<u>611,813</u>	<u>-</u>	<u>96,744</u>	<u>38,906</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	611,419	-	-	-
Utility operating expenses	-	-	-	-	44,937	-
Other disbursements	-	-	-	-	52,539	38,906
Total disbursements	<u>-</u>	<u>-</u>	<u>611,419</u>	<u>-</u>	<u>97,476</u>	<u>38,906</u>
Excess (deficiency) of receipts over disbursements	<u>2,092</u>	<u>-</u>	<u>394</u>	<u>-</u>	<u>(732)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,631</u>	<u>\$ 409</u>	<u>\$ 16,170</u>	<u>\$ 143</u>	<u>\$ 14,109</u>	<u>\$ -</u>

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

	Sewer Debt Reserve	Water Debt Reserve	Water Utility Operating	Water Utl Meter Deposit	Trash	Totals
Cash and investments - beginning	\$ 20,266	\$ 17,741	\$ 19,083	\$ 11,468	\$ 3,984	\$ 183,853
Receipts:						
Taxes	-	-	-	-	-	87,671
Licenses and permits	-	-	-	-	-	1,626
Intergovernmental	-	-	-	-	19,658	685,129
Fines and forfeits	-	-	-	-	-	121
Utility fees	-	-	62,351	2,365	-	159,740
Penalties	-	-	14	-	-	14
Other receipts	7,080	932	108	28	-	48,774
Total receipts	<u>7,080</u>	<u>932</u>	<u>62,473</u>	<u>2,393</u>	<u>19,658</u>	<u>983,075</u>
Disbursements:						
Personal services	-	-	-	-	18,762	54,082
Supplies	-	-	-	-	-	13,104
Other services and charges	-	-	-	-	-	64,956
Capital outlay	-	-	-	-	-	638,353
Utility operating expenses	-	-	69,572	-	-	114,509
Other disbursements	-	-	-	6,151	-	99,464
Total disbursements	<u>-</u>	<u>-</u>	<u>69,572</u>	<u>6,151</u>	<u>18,762</u>	<u>984,468</u>
Excess (deficiency) of receipts over disbursements	<u>7,080</u>	<u>932</u>	<u>(7,099)</u>	<u>(3,758)</u>	<u>896</u>	<u>(1,393)</u>
Cash and investments - ending	<u>\$ 27,346</u>	<u>\$ 18,673</u>	<u>\$ 11,984</u>	<u>\$ 7,710</u>	<u>\$ 4,880</u>	<u>\$ 182,460</u>

TOWN OF NEW RICHMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	Motor Vehicle Highway	Local Road & Street	Community Room	Local Law Enf Cont Ed	Park & Recreation	Rainy Day
Cash and investments - beginning	\$ 19,734	\$ 10,660	\$ 2,698	\$ 673	\$ -	\$ 2,099	\$ 42,541
Receipts:							
Taxes	72,155	4,699	-	-	-	-	-
Licenses and permits	40	-	-	-	210	-	-
Intergovernmental	27,083	5,886	1,669	-	-	-	-
Charges for services	-	-	-	875	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	3,698	60,000	-	-	-	-	-
Total receipts	<u>102,976</u>	<u>70,585</u>	<u>1,669</u>	<u>875</u>	<u>210</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	20,118	7,474	-	-	-	-	-
Supplies	8,244	-	-	-	-	-	-
Other services and charges	40,604	-	2,038	-	-	-	-
Capital outlay	21,814	67,392	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	225	-	2,099	20,356
Total disbursements	<u>90,780</u>	<u>74,866</u>	<u>2,038</u>	<u>225</u>	<u>-</u>	<u>2,099</u>	<u>20,356</u>
Excess (deficiency) of receipts over disbursements	<u>12,196</u>	<u>(4,281)</u>	<u>(369)</u>	<u>650</u>	<u>210</u>	<u>(2,099)</u>	<u>(20,356)</u>
Cash and investments - ending	<u>\$ 31,930</u>	<u>\$ 6,379</u>	<u>\$ 2,329</u>	<u>\$ 1,323</u>	<u>\$ 210</u>	<u>\$ -</u>	<u>\$ 22,185</u>

TOWN OF NEW RICHMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Cum Cap Imp - Cig Tax	Lagoon Repair Donation Fu	Doc Grant Fund	Levy Excess Fund	Sewage Utility Operating	Sewer Sinking
Cash and investments - beginning	\$ 2,631	\$ 409	\$ 16,170	\$ 143	\$ 14,109	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	431,277	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	-	-	-	99,096	-
Other receipts	-	-	-	-	57	39,750
Total receipts	-	-	431,277	-	99,153	39,750
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	446,193	-	-	-
Capital outlay	-	-	-	-	3,548	-
Utility operating expenses	-	-	-	-	28,068	-
Other disbursements	-	-	-	-	54,214	39,750
Total disbursements	-	-	446,193	-	85,830	39,750
Excess (deficiency) of receipts over disbursements	-	-	(14,916)	-	13,323	-
Cash and investments - ending	\$ 2,631	\$ 409	\$ 1,254	\$ 143	\$ 27,432	\$ -

TOWN OF NEW RICHMOND
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012
 (Continued)

	Sewer Debt Reserve	Water Debt Reserve	Water Utility Operating	Water Utl Meter Deposit	Trash	Totals
Cash and investments - beginning	\$ 27,346	\$ 18,673	\$ 11,984	\$ 7,710	\$ 4,880	\$ 182,460
Receipts:						
Taxes	-	-	-	-	-	76,854
Licenses and permits	-	-	-	-	-	250
Intergovernmental	-	-	-	-	-	465,915
Charges for services	-	-	-	-	19,071	19,946
Utility fees	-	-	97,518	-	-	196,614
Other receipts	8,110	1,040	868	1,854	-	115,377
Total receipts	8,110	1,040	98,386	1,854	19,071	874,956
Disbursements:						
Personal services	-	-	-	-	-	27,592
Supplies	-	-	-	-	-	8,244
Other services and charges	-	-	-	-	17,323	506,158
Capital outlay	-	19,000	61,830	-	-	173,584
Utility operating expenses	-	-	34,454	-	-	62,522
Other disbursements	-	-	5,850	1,357	-	123,851
Total disbursements	-	19,000	102,134	1,357	17,323	901,951
Excess (deficiency) of receipts over disbursements	8,110	(17,960)	(3,748)	497	1,748	(26,995)
Cash and investments - ending	\$ 35,456	\$ 713	\$ 8,236	\$ 8,207	\$ 6,628	\$ 155,465

TOWN OF NEW RICHMOND
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	long term lease	\$ 744,000	\$ 46,550
Notes and loans payable	4 year loan for street repair	<u>52,113</u>	<u>15,974</u>
Total governmental activities		<u>796,113</u>	<u>62,524</u>
Totals		<u>\$ 796,113</u>	<u>\$ 62,524</u>

TOWN OF NEW RICHMOND
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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	\$ 430,000
Infrastructure	20,000
Buildings	295,000
Machinery, equipment, and vehicles	78,000
Total governmental activities	823,000
Wastewater:	
Land	100,000
Infrastructure	2,125,000
Buildings	45,000
Machinery, equipment, and vehicles	310,000
Total Wastewater	2,580,000
Water:	
Land	70,000
Infrastructure	1,798,000
Buildings	7,000
Machinery, equipment, and vehicles	24,500
Total Water	1,899,500
Total capital assets	\$ 5,302,500

TOWN OF NEW RICHMOND
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, (utility billings and collections,) disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.
4. **Schedule of Expenditures of Federal Awards:** The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The Town overstated expenditures for the year 2012 by \$75,670. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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 objections, 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)

TOWN OF NEW RICHMOND
AUDIT RESULTS AND COMMENTS
(Continued)

OMB Circular A-133, Subpart C, section .310 (b) states:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF NEW RICHMOND
AUDIT RESULTS AND COMMENTS
(Continued)

FUND SOURCES AND USES

Each June and December the State of Indiana distributes cigarette tax revenue to the Town. The Town posted the 2011 and 2012 distributions of \$1,002 and \$883, respectively, to the General Fund instead of the Cumulative Capital Improvement Fund. The Town also received Riverboat Funds distributions in 2011 and 2012 of \$2,184 and \$1,973, respectively, which were posted to the General Fund in error.

The Town received a \$60,000 loan for street repaving. The debt proceeds were posted incorrectly to the DOC Grant Fund. The debt proceeds should have been posted to a separate fund or another applicable fund of the unit.

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

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF NEW RICHMOND, MONTGOMERY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of New Richmond'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 period of January 1, 2011 to December 31, 2012. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
(Continued)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be material weaknesses.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plan. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

April 30, 2013

(This page intentionally left blank.)

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 NEW RICHMOND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>					
CDBG - State-Administered CDBG Cluster	Indiana Office of Community and Rural Affairs	14.228			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii			DR2-09-019	\$ 81,576	\$ -
			DR2-09-164	<u>525,087</u>	<u>430,523</u>
Total for program				<u>606,663</u>	<u>430,523</u>
Total for cluster				<u>606,663</u>	<u>430,523</u>
Total for federal grantor agency				<u>606,663</u>	<u>430,523</u>
Total federal awards expended				<u>\$ 606,663</u>	<u>\$ 430,523</u>

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF NEW RICHMOND
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 New Richmond (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statement. 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 NEW RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
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 OMB Circular A-133?	yes

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

FEDERAL FINDING 2012-1 - 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 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 NEW RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.
4. **Schedule of Expenditures of Federal Awards:** The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: The Town overstated expenditures for the year 2012 by \$75,670. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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 objections, 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)

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal Awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310 (b) states:

"(b) Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

TOWN OF NEW RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-2 - INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: United States Department of Housing and Urban Development

Federal Program: Community Development Block Grants/State's
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-019, DR2-09-164

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

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements that have a direct and material effect on the program: Davis Bacon, Equipment and Real Property Management, Matching, Reporting, and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

TOWN OF NEW RICHMOND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

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

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

The failure to establish internal controls could enable material noncompliance to remain undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

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

TOWN OF NEW RICHMOND

110 South Wabash Street

PO Box 210

New Richmond, IN 47967

765.339.4507 765.339.7937 (fax)

nrtown@tctc.com

Summary Schedule of Prior Audit Findings

Finding Number 2010-1 Internal Controls over Financial Transactions and Reporting

Original SBA Audit Report Number B39136

Fiscal Year 2011-2012

Auditee Contact Person-Kathy Sering

Title of Contact Person-Clerk-Treasurer

Phone Number 765-339-4507

Status of Finding: We have not implemented internal controls over the financial transactions and reporting. We do not have the resources to overcome the lack of segregation of duties.

Finding Number 2010-2 Equipment and Real Property Management

Original SBA Audit Report Number B39136

Fiscal Year 2011-2012

Auditee Contact Person-Kathy Sering

Title of Contact Person-Clerk-Treasurer

Phone Number 765-339-4507

Status of Finding: The former Town Council President along with the Utility Superintendent and myself created capital asset records for the Town, Water Utility and Wastewater Utility.

Signature

Title

Date

Kathy Sering
Clerk-Treasurer
March 20th, 2013

TOWN OF NEW RICHMOND

110 South Wabash Street

PO Box 210

New Richmond, IN 47967

765.339.4507 765.339.7937 (fax)
nrtown@tctc.com

CORRECTIVE ACTION PLAN

Contact Person: Kathy Sering
Contact Title: Clerk-Treasurer

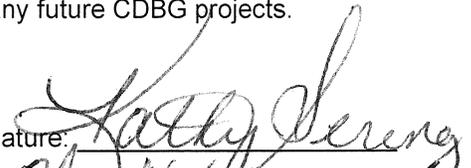
FINDING 2012-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

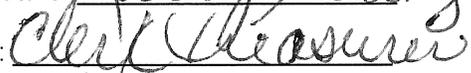
We do not plan to separate incompatible activities related to receipts, disbursements, payroll and related liabilities. The cost benefit of separating those activities is not feasible for the Town at this time.

FINDING 2012-2, INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT

Federal Agency: United States Department of Housing and Urban Development
Federal Program: Community Development Block Grant
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): DR2-09-019, DR2-09-164
Pass-Through Entity: Indiana Office of Community and Rural Affairs
Estimated Completion Date: N/A

We plan to have the Town Council President monitor all the applicable federal compliance requirements for any future CDBG projects.

Signature: 

Title: 

Date: 4/30/13

TOWN OF NEW RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2013, with Kathryn Sering, Clerk-Treasurer, and Christopher D. Patterson, President of the Town Council.