

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF HAUBSTADT
GIBSON COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
07/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bonnie Wagner	01-01-08 to 12-31-15
President of the Town Council	Kenneth Reinbrecht	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 HAUBSTADT, GIBSON COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Haubstadt (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 June 13, 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 records used to prepare the financial statement. The information has been subjected to

INDEPENDENT AUDITOR'S REPORT
(Continued)

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 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 Receivables, 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

June 13, 2013



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ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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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 HAUBSTADT, GIBSON 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 Haubstadt (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 June 13, 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 material weaknesses.

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

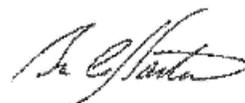
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Town of Haubstadt's Response to Findings

The Town's response to the finding 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

June 13, 2013

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FINANCIAL STATEMENTS

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.

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

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 90,410	\$ 541,966	\$ 379,119	\$ 253,257	\$ 713,377	\$ 570,809	\$ 395,825
Motor Vehicle Highway	46,339	63,393	59,468	50,264	82,428	84,283	48,409
Local Road & Street	5,882	6,173	2,119	9,936	6,355	7,000	9,291
Law Enforcement Training	6,236	3,666	1,878	8,024	5,802	2,490	11,336
Riverboat	55,909	9,568	-	65,477	9,342	-	74,819
Park & Recreation	17,303	55,778	51,236	21,845	42,019	46,853	17,011
Rainy Day	71,476	-	-	71,476	-	-	71,476
Levy Excess	1,555	-	1,555	-	-	-	-
Fire Territory Operating	369,059	1,156	242,049	128,166	317,929	171,591	274,504
Cumulative Capital Development	26,167	5,361	-	31,528	4,906	-	36,434
Special Police Equipment & Training	2,375	1,525	-	3,900	100	-	4,000
Cumulative Capital Improvement	3,832	4,391	5,000	3,223	4,182	5,000	2,405
Cumulative Fire	966	-	12	954	-	-	954
Fire Territory Equipment Replacement	132,678	67,670	-	200,348	64,664	43,431	221,581
Cash Drawer	100	-	100	-	-	-	-
Old School Property & Gym	7,969	250	7,068	1,151	450	-	1,601
Fire Dept. Special Run	7,586	2,875	-	10,461	1,810	-	12,271
Grant	1,618	600,000	600,629	989	19,781	757	20,013
Economic Development Income Tax	263,202	84,932	60,204	287,930	74,346	55,412	306,864
Payroll	1,382	390,301	371,534	20,149	383,202	366,468	36,883
Wastewater Cash Drawer	-	150	-	150	-	-	150
Wastewater Utility Operating	1,249,862	761,441	755,367	1,255,936	625,136	753,672	1,127,400
Wastewater Bond & Interest	638,742	266,347	260,250	644,839	265,003	258,775	651,067
Wastewater Improvement	28,035	24,000	-	52,035	24,000	-	76,035
Wastewater Capital Improvement	604,177	-	243,320	360,857	7,098	367,955	-
Water Cash Drawer	-	50	-	50	-	-	50
Water Utility Operating	136,466	334,001	296,971	173,496	339,179	267,631	245,044
Water Consumer Deposits	10,205	3,800	3,700	10,305	3,100	2,860	10,545
Totals	<u>\$ 3,779,531</u>	<u>\$ 3,228,794</u>	<u>\$ 3,341,579</u>	<u>\$ 3,666,746</u>	<u>\$ 2,994,209</u>	<u>\$ 3,004,987</u>	<u>\$ 3,655,968</u>

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

TOWN OF HAUBSTADT
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, culture and recreation, planning and zoning, general administrative services, water, and wastewater.

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 HAUBSTADT
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.

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

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

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

TOWN OF HAUBSTADT
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

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 HAUBSTADT
NOTES TO FINANCIAL STATEMENT
(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 statement. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

Note 6. Holding Corporation

The Town has entered into a capital lease with Haubstadt Building Corporation (the lessor). The lessor was organized as a not for profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the years 2011 and 2012 totaled \$99,500 and \$75,500, respectively.

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

	General	Motor Vehicle Highway	Local Road & Street	Law Enforcement Training	Riverboat	Park & Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 90,410	\$ 46,339	\$ 5,882	\$ 6,236	\$ 55,909	\$ 17,303	\$ 71,476	\$ 1,555
Receipts:								
Taxes	237,931	10,546	-	-	-	36,931	-	-
Licenses and permits	3,525	-	-	2,275	-	-	-	-
Intergovernmental	9,471	49,257	6,173	-	-	77	-	-
Charges for services	9,316	-	-	-	-	9,751	-	-
Fines and forfeits	-	-	-	1,391	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	281,723	3,590	-	-	9,568	9,019	-	-
Total receipts	<u>541,966</u>	<u>63,393</u>	<u>6,173</u>	<u>3,666</u>	<u>9,568</u>	<u>55,778</u>	<u>-</u>	<u>-</u>
Disbursements:								
Personal services	176,243	21,111	-	-	-	21,384	-	-
Supplies	19,889	1,790	-	1,878	-	1,315	-	-
Other services and charges	66,760	29,925	-	-	-	18,793	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	29,910	6,642	2,119	-	-	7,057	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	86,317	-	-	-	-	2,687	-	1,555
Total disbursements	<u>379,119</u>	<u>59,468</u>	<u>2,119</u>	<u>1,878</u>	<u>-</u>	<u>51,236</u>	<u>-</u>	<u>1,555</u>
Excess (deficiency) of receipts over disbursements	<u>162,847</u>	<u>3,925</u>	<u>4,054</u>	<u>1,788</u>	<u>9,568</u>	<u>4,542</u>	<u>-</u>	<u>(1,555)</u>
Cash and investments - ending	<u>\$ 253,257</u>	<u>\$ 50,264</u>	<u>\$ 9,936</u>	<u>\$ 8,024</u>	<u>\$ 65,477</u>	<u>\$ 21,845</u>	<u>\$ 71,476</u>	<u>\$ -</u>

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

	Fire Territory Operating	Cumulative Capital Development	Special Police Equipment & Training	Cumulative Capital Improvement	Cumulative Fire	Fire Territory Equipment Replacement	Cash Drawer
Cash and investments - beginning	\$ 369,059	\$ 26,167	\$ 2,375	\$ 3,832	\$ 966	\$ 132,678	\$ 100
Receipts:							
Taxes	-	5,294	-	-	-	67,110	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	54	-	4,391	-	560	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,156	13	1,525	-	-	-	-
Total receipts	<u>1,156</u>	<u>5,361</u>	<u>1,525</u>	<u>4,391</u>	<u>-</u>	<u>67,670</u>	<u>-</u>
Disbursements:							
Personal services	22,356	-	-	-	-	-	-
Supplies	19,497	-	-	-	-	-	-
Other services and charges	53,852	-	-	-	-	-	-
Debt service - principal and interest	99,500	-	-	-	-	-	-
Capital outlay	46,844	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	5,000	12	-	100
Total disbursements	<u>242,049</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>12</u>	<u>-</u>	<u>100</u>
Excess (deficiency) of receipts over disbursements	<u>(240,893)</u>	<u>5,361</u>	<u>1,525</u>	<u>(609)</u>	<u>(12)</u>	<u>67,670</u>	<u>(100)</u>
Cash and investments - ending	<u>\$ 128,166</u>	<u>\$ 31,528</u>	<u>\$ 3,900</u>	<u>\$ 3,223</u>	<u>\$ 954</u>	<u>\$ 200,348</u>	<u>\$ -</u>

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

	Old School Property & Gym	Fire Dept. Special Run	Grant	Economic Development Income Tax	Payroll	Wastewater Cash Drawer	Wastewater Utility Operating
Cash and investments - beginning	\$ 7,969	\$ 7,586	\$ 1,618	\$ 263,202	\$ 1,382	\$ -	\$ 1,249,862
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	84,932	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	2,875	-	-	-	-	-
Utility fees	-	-	-	-	-	-	582,596
Penalties	-	-	-	-	-	-	7,705
Other receipts	250	-	600,000	-	390,301	150	171,140
Total receipts	<u>250</u>	<u>2,875</u>	<u>600,000</u>	<u>84,932</u>	<u>390,301</u>	<u>150</u>	<u>761,441</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	2,068	-	600,629	60,204	-	-	-
Utility operating expenses	-	-	-	-	-	-	467,367
Other disbursements	5,000	-	-	-	371,534	-	288,000
Total disbursements	<u>7,068</u>	<u>-</u>	<u>600,629</u>	<u>60,204</u>	<u>371,534</u>	<u>-</u>	<u>755,367</u>
Excess (deficiency) of receipts over disbursements	<u>(6,818)</u>	<u>2,875</u>	<u>(629)</u>	<u>24,728</u>	<u>18,767</u>	<u>150</u>	<u>6,074</u>
Cash and investments - ending	<u>\$ 1,151</u>	<u>\$ 10,461</u>	<u>\$ 989</u>	<u>\$ 287,930</u>	<u>\$ 20,149</u>	<u>\$ 150</u>	<u>\$ 1,255,936</u>

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

	Wastewater Bond & Interest	Wastewater Improvement	Wastewater Capital Improvement	Water Cash Drawer	Water Utility Operating	Water Consumer Deposits	Totals
Cash and investments - beginning	\$ 638,742	\$ 28,035	\$ 604,177	\$ -	\$ 136,466	\$ 10,205	\$ 3,779,531
Receipts:							
Taxes	-	-	-	-	18,320	-	376,132
Licenses and permits	-	-	-	-	-	-	5,800
Intergovernmental	-	-	-	-	-	-	154,915
Charges for services	-	-	-	-	-	-	19,067
Fines and forfeits	-	-	-	-	-	-	4,266
Utility fees	-	-	-	-	306,928	3,800	893,324
Penalties	-	-	-	-	1,066	-	8,771
Other receipts	266,347	24,000	-	50	7,687	-	1,766,519
Total receipts	<u>266,347</u>	<u>24,000</u>	<u>-</u>	<u>50</u>	<u>334,001</u>	<u>3,800</u>	<u>3,228,794</u>
Disbursements:							
Personal services	-	-	-	-	-	-	241,094
Supplies	-	-	-	-	-	-	44,369
Other services and charges	-	-	-	-	-	-	169,330
Debt service - principal and interest	-	-	-	-	-	-	99,500
Capital outlay	-	-	243,320	-	-	-	998,793
Utility operating expenses	-	-	-	-	296,971	-	764,338
Other disbursements	260,250	-	-	-	-	3,700	1,024,155
Total disbursements	<u>260,250</u>	<u>-</u>	<u>243,320</u>	<u>-</u>	<u>296,971</u>	<u>3,700</u>	<u>3,341,579</u>
Excess (deficiency) of receipts over disbursements	<u>6,097</u>	<u>24,000</u>	<u>(243,320)</u>	<u>50</u>	<u>37,030</u>	<u>100</u>	<u>(112,785)</u>
Cash and investments - ending	<u>\$ 644,839</u>	<u>\$ 52,035</u>	<u>\$ 360,857</u>	<u>\$ 50</u>	<u>\$ 173,496</u>	<u>\$ 10,305</u>	<u>\$ 3,666,746</u>

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

	General	Motor Vehicle Highway	Local Road & Street	Law Enforcement Training	Riverboat	Park & Recreation	Rainy Day
Cash and investments - beginning	\$ 253,257	\$ 50,264	\$ 9,936	\$ 8,024	\$ 65,477	\$ 21,845	\$ 71,476
Receipts:							
Taxes	241,165	27,607	-	2,027	-	29,907	-
Licenses and permits	21,791	-	-	2,950	-	-	-
Intergovernmental	6,436	40,169	6,355	-	-	-	-
Charges for services	8,306	4,000	-	-	-	11,344	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	435,679	10,652	-	825	9,342	768	-
Total receipts	713,377	82,428	6,355	5,802	9,342	42,019	-
Disbursements:							
Personal services	185,562	20,833	-	-	-	21,414	-
Supplies	18,288	4,801	-	2,490	-	2,100	-
Other services and charges	349,304	40,998	7,000	-	-	20,423	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	17,159	17,651	-	-	-	2,916	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	496	-	-	-	-	-	-
Total disbursements	570,809	84,283	7,000	2,490	-	46,853	-
Excess (deficiency) of receipts over disbursements	142,568	(1,855)	(645)	3,312	9,342	(4,834)	-
Cash and investments - ending	\$ 395,825	\$ 48,409	\$ 9,291	\$ 11,336	\$ 74,819	\$ 17,011	\$ 71,476

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

	Fire Territory Operating	Cumulative Capital Development	Special Police Equipment & Training	Cumulative Capital Improvement	Cumulative Fire	Fire Territory Equipment Replacement	Old School Property & Gym
Cash and investments - beginning	\$ 128,166	\$ 31,528	\$ 3,900	\$ 3,223	\$ 954	\$ 200,348	\$ 1,151
Receipts:							
Taxes	316,048	4,895	-	-	-	64,553	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	544	11	-	4,182	-	111	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,337	-	100	-	-	-	450
Total receipts	317,929	4,906	100	4,182	-	64,664	450
Disbursements:							
Personal services	21,818	-	-	-	-	-	-
Supplies	20,222	-	-	-	-	-	-
Other services and charges	38,980	-	-	-	-	-	-
Debt service - principal and interest	75,500	-	-	-	-	-	-
Capital outlay	15,071	-	-	-	-	43,431	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	5,000	-	-	-
Total disbursements	171,591	-	-	5,000	-	43,431	-
Excess (deficiency) of receipts over disbursements	146,338	4,906	100	(818)	-	21,233	450
Cash and investments - ending	\$ 274,504	\$ 36,434	\$ 4,000	\$ 2,405	\$ 954	\$ 221,581	\$ 1,601

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

	Fire Dept. Special Run	Grant	Economic Development Income Tax	Payroll	Wastewater Cash Drawer	Wastewater Utility Operating	Wastewater Bond & Interest
Cash and investments - beginning	\$ 10,461	\$ 989	\$ 287,930	\$ 20,149	\$ 150	\$ 1,255,936	\$ 644,839
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	74,346	-	-	-	-
Charges for services	1,810	-	-	-	-	-	-
Utility fees	-	-	-	-	-	601,822	-
Penalties	-	-	-	-	-	7,725	-
Other receipts	-	19,781	-	383,202	-	15,589	265,003
Total receipts	<u>1,810</u>	<u>19,781</u>	<u>74,346</u>	<u>383,202</u>	<u>-</u>	<u>625,136</u>	<u>265,003</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	32	-	-	-	-	-
Other services and charges	-	725	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	55,412	-	-	-	-
Utility operating expenses	-	-	-	-	-	347,758	-
Other disbursements	-	-	-	366,468	-	405,914	258,775
Total disbursements	<u>-</u>	<u>757</u>	<u>55,412</u>	<u>366,468</u>	<u>-</u>	<u>753,672</u>	<u>258,775</u>
Excess (deficiency) of receipts over disbursements	<u>1,810</u>	<u>19,024</u>	<u>18,934</u>	<u>16,734</u>	<u>-</u>	<u>(128,536)</u>	<u>6,228</u>
Cash and investments - ending	<u>\$ 12,271</u>	<u>\$ 20,013</u>	<u>\$ 306,864</u>	<u>\$ 36,883</u>	<u>\$ 150</u>	<u>\$ 1,127,400</u>	<u>\$ 651,067</u>

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

	Wastewater Improvement	Wastewater Capital Improvement	Water Cash Drawer	Water Utility Operating	Water Consumer Deposits	Totals
Cash and investments - beginning	\$ 52,035	\$ 360,857	\$ 50	\$ 173,496	\$ 10,305	\$ 3,666,746
Receipts:						
Taxes	-	-	-	19,126	-	705,328
Licenses and permits	-	-	-	-	-	24,741
Intergovernmental	-	-	-	-	-	132,154
Charges for services	-	-	-	-	-	25,460
Utility fees	-	-	-	307,131	-	908,953
Penalties	-	-	-	993	-	8,718
Other receipts	24,000	7,098	-	11,929	3,100	1,188,855
Total receipts	24,000	7,098	-	339,179	3,100	2,994,209
Disbursements:						
Personal services	-	-	-	-	-	249,627
Supplies	-	-	-	-	-	47,933
Other services and charges	-	-	-	-	-	457,430
Debt service - principal and interest	-	-	-	-	-	75,500
Capital outlay	-	367,955	-	-	-	519,595
Utility operating expenses	-	-	-	267,631	-	615,389
Other disbursements	-	-	-	-	2,860	1,039,513
Total disbursements	-	367,955	-	267,631	2,860	3,004,987
Excess (deficiency) of receipts over disbursements	24,000	(360,857)	-	71,548	240	(10,778)
Cash and investments - ending	\$ 76,035	\$ -	\$ 50	\$ 245,044	\$ 10,545	\$ 3,655,968

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TOWN OF HAUBSTADT
SCHEDULE OF RECEIVABLES
December 31, 2012

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Wastewater	\$ 61,928
Water	26,004
Governmental activities	<u>-</u>
Totals	<u>\$ 87,932</u>

TOWN OF HAUBSTADT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

<u>Lessor</u>	<u>Purpose</u>	<u>Annual Lease Payment</u>	<u>Lease Beginning Date</u>	<u>Lease Ending Date</u>
Governmental activities: Haubstadt Building Corp.	building of new fire station	\$ 75,500	07-15-11	01-15-29
Total of annual lease payments		<u>\$ 75,500</u>		

<u>Description of Debt</u>		<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<u>Type</u>	<u>Purpose</u>		
Wastewater: Revenue bonds	SRF Sewer Revenue Bonds of 1999	\$ 2,150,000	\$ 257,125
Totals		<u>\$ 2,150,000</u>	<u>\$ 257,125</u>

TOWN OF HAUBSTADT
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	\$ 105,000
Infrastructure	220,000
Buildings	1,117,763
Machinery, equipment, and vehicles	1,487,754
Total governmental activities	2,930,517
Wastewater:	
Land	18,563
Infrastructure	1,506,443
Buildings	234,956
Machinery, equipment, and vehicles	5,614,308
Total Wastewater	7,374,270
Water:	
Land	5,205
Infrastructure	856,056
Buildings	23,494
Machinery, equipment, and vehicles	883,867
Total Water	1,768,622
Total capital assets	\$ 12,073,409

TOWN OF HAUBSTADT
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS - (Applies to Town)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Park & Recreation	2011	\$ <u>4,020</u>

A similar comment was contained in the prior report.

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

PENALTIES, INTEREST, AND OTHER CHARGES - (Applies to Water Utility)

The Water Utility paid penalties, interest and other charges to the Indiana Department of Revenue in the amount of \$158 because the Utility did not remit payments on a timely basis. This penalty appears to be due to the late payment of the fourth quarter 2011 Utility Receipts Tax which was not paid until January 20, 2012.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX - (Applies to Water Utility)

The Water Utility overpaid the fourth quarter 2011 Utility Receipts Tax to the Indiana Department of Revenue by payment remitted on January 20, 2012, which is after the due date of December 20, 2011. Also, the Water Utility paid an additional \$1,064.99 to the Indiana Department of Revenue for which there was no documentation.

During 2012, the Water Utility did not pay the second, third, and fourth quarter Utility Receipts Tax payments. These three quarterly payments which totaled \$3,441.32 were paid together on March 8, 2013.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

TOWN OF HAUBSTADT
AUDIT RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT - (Applies to Town)

The annual reports for 2011 and 2012 contained three immaterial errors that were not corrected from the 2009 examination and, therefore, did not properly reflect certain cash balances of the Town of Haubstadt. However, the overall net effect on the total cash balance was zero.

These errors were corrected in January 2013.

A similar comment was contained in the prior report.

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

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

INTERNAL CONTROLS - (Applies to Town)

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 \$600,000 Community Development Block Grant was listed as being expended in both 2011 and 2012. In addition, the grants from the Department of Justice and the Department of Homeland Security were not reported in 2012. 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 statement.

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

TOWN OF HAUBSTADT
AUDIT RESULTS AND COMMENTS
(Continued)

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF HAUBSTADT, GIBSON COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Haubstadt'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.

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

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

that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for its 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

June 13, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF HAUBSTADT
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	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228			
			CF-10-207	\$ 600,000	\$ -
Total - CDBG - State-Administered CDBG Cluster				600,000	-
Total - Department of Housing and Urban Development				600,000	-
<u>Department of Justice</u>					
Bulletproof Vest Partnership Program	Direct Grant	16.607	FY 2010 FY 2011	-	825 463
Total for program				-	1,288
JAG Program Cluster					
Edward Byrne Memorial Justice Assistance Grant Program	Indiana Criminal Justice Institute	16.738	2009-DJ-BX-0049	-	5,500
Total - JAG Program Cluster				-	5,500
Total - Department of Justice				-	6,788
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Indiana Department of Homeland Security	97.036	1997-DR-IN	-	750
Total - Department of Homeland Security				-	750
Total federal awards expended				\$ 600,000	\$ 7,538

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

TOWN OF HAUBSTADT
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 Haubstadt (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 HAUBSTADT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

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 statements noted?	yes

Federal Awards:

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

Identification of Major Program:

Name of Federal Program or Cluster

CDBG – State Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2011-1 – LACK OF CONTROLS OVER PREPARATION OF THE 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 \$600,000 Community Development Block Grant was listed as being expended in both 2011 and 2012 instead of just 2011. In addition, the grants from the Department of Justice and the Department of Homeland Security were not reported in 2012. 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 statement.

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

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

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:

- (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

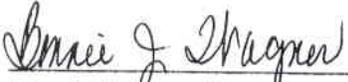
No matters are reportable.

TOWN OF HAUBSTADT
CORRECTIVE ACTION PLAN

Section II – Financial Statement Finding

FINDING 2012-1, LACK OF CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Clerk-Treasurer will ensure that all federal grants expended by the Town are properly documented in each annual report as well as the Schedule of Federal Financial Assistance.



Bonnie Wagner, Clerk-Treasurer

6-13-13
Date



Kenneth Reinbrecht, President of
the Town Council

6/13/13
Date

TOWN OF HAUBSTADT
EXIT CONFERENCE

The contents of this report were discussed on June 13, 2013, with Bonnie Wagner, Clerk-Treasurer, and C. Michael Ballard, Town Council member. The officials concurred with our audit findings.