

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF HAZLETON  
GIBSON COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
08/28/2013



## 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 .....	11
Notes to Financial Statement.....	12-14
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	16-19
Schedule of Payables and Receivables .....	20
Schedule of Leases and Debt .....	21
Schedule of Capital Assets.....	23
Audit Results and Comments: Internal Controls .....	24
Annual Reports.....	25
Penalties, Interest, and Other Charges .....	26
Accountable Items .....	25
Ordinances and Resolutions .....	26
Official Bond .....	26-27
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	30-31
Schedule of Expenditures of Federal Awards .....	35
Note to Schedule of Expenditures of Federal Awards.....	36
Schedule of Findings and Questioned Costs .....	37-39
Auditee Prepared Schedule: Corrective Action Plan.....	40-41
Exit Conference.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcia D. Hall	01-01-08 to 12-31-15
President of the Town Council	Clarence Cornwell	01-01-11 to 12-31-13
Superintendent of Water Utility	Jerry Tinslow	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](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT

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

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Hazleton (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 July 31, 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 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 Payables and 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

July 31, 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](http://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 HAZLETON, 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 Hazleton (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 July 31, 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.

***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

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)

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 Hazleton'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

July 31, 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.

(This page intentionally left blank.)

TOWN OF HAZLETON  
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	\$ 14,945	\$ 20,993	\$ 23,562	\$ 12,376	\$ 25,254	\$ 26,415	\$ 11,215
Motor Vehicle Highway	4,220	10,395	6,361	8,254	10,033	10,017	8,270
Local Road And Street	495	1,992	1,871	616	1,909	2,185	340
Rainy Day	1,023	-	-	1,023	-	-	1,023
Levy Excess	37	-	-	37	-	-	37
Cumulative Capital Improvement	1,627	827	1,000	1,454	698	1,000	1,152
Levee Grant	-	-	-	-	874,461	874,461	-
Edit	10,503	2,581	-	13,084	3,422	2,606	13,900
Fema	417	-	-	417	-	-	417
Donation (Capital Project)	55	-	-	55	-	-	55
Water Utility-Operating	8,597	66,726	48,703	26,620	64,304	51,366	39,558
Water Utility-Depreciation/Improve	3,799	-	-	3,799	-	-	3,799
Water Utility-Customer Deposit	3,260	700	-	3,960	200	100	4,060
<b>Totals</b>	<u>\$ 48,978</u>	<u>\$ 104,214</u>	<u>\$ 81,497</u>	<u>\$ 71,695</u>	<u>\$ 980,281</u>	<u>\$ 968,150</u>	<u>\$ 83,826</u>

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

TOWN OF HAZLETON  
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 (fire), highways and streets, health and social services, public improvements, general administrative services, water, 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.

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

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

Penalties which include fees received for late payments.

TOWN OF HAZLETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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.

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

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

TOWN OF HAZLETON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

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

	General	Motor Vehicle Highway	Local Road And Street	Rainy Day	Levy Excess	Cumulative Capital Improvement	Levee Grant
Cash and investments - beginning	\$ 14,945	\$ 4,220	\$ 495	\$ 1,023	\$ 37	\$ 1,627	\$ -
Receipts:							
Taxes	14,779	-	-	-	-	-	-
Intergovernmental	3,829	10,395	1,992	-	-	827	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,385	-	-	-	-	-	-
Total receipts	<u>20,993</u>	<u>10,395</u>	<u>1,992</u>	<u>-</u>	<u>-</u>	<u>827</u>	<u>-</u>
Disbursements:							
Personal services	10,956	800	-	-	-	-	-
Supplies	1,058	1,995	1,871	-	-	-	-
Other services and charges	11,548	3,566	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	1,000	-
Total disbursements	<u>23,562</u>	<u>6,361</u>	<u>1,871</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,569)</u>	<u>4,034</u>	<u>121</u>	<u>-</u>	<u>-</u>	<u>(173)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 12,376</u>	<u>\$ 8,254</u>	<u>\$ 616</u>	<u>\$ 1,023</u>	<u>\$ 37</u>	<u>\$ 1,454</u>	<u>\$ -</u>

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

	Edit	Fema	Donation (Capital Project)	Water Utility-Operating	Water Utility- Depreciation/Improve	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 10,503	\$ 417	\$ 55	\$ 8,597	\$ 3,799	\$ 3,260	\$ 48,978
Receipts:							
Taxes	-	-	-	-	-	-	14,779
Intergovernmental	2,581	-	-	-	-	-	19,624
Utility fees	-	-	-	63,375	-	-	63,375
Penalties	-	-	-	1,646	-	-	1,646
Other receipts	-	-	-	1,705	-	700	4,790
Total receipts	<u>2,581</u>	<u>-</u>	<u>-</u>	<u>66,726</u>	<u>-</u>	<u>700</u>	<u>104,214</u>
Disbursements:							
Personal services	-	-	-	-	-	-	11,756
Supplies	-	-	-	-	-	-	4,924
Other services and charges	-	-	-	-	-	-	15,114
Utility operating expenses	-	-	-	43,879	-	-	43,879
Other disbursements	-	-	-	4,824	-	-	5,824
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,703</u>	<u>-</u>	<u>-</u>	<u>81,497</u>
Excess (deficiency) of receipts over disbursements	<u>2,581</u>	<u>-</u>	<u>-</u>	<u>18,023</u>	<u>-</u>	<u>700</u>	<u>22,717</u>
Cash and investments - ending	<u>\$ 13,084</u>	<u>\$ 417</u>	<u>\$ 55</u>	<u>\$ 26,620</u>	<u>\$ 3,799</u>	<u>\$ 3,960</u>	<u>\$ 71,695</u>

TOWN OF HAZLETON  
 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 And Street	Rainy Day	Levy Excess	Cumulative Capital Improvement	Levee Grant
Cash and investments - beginning	\$ 12,376	\$ 8,254	\$ 616	\$ 1,023	\$ 37	\$ 1,454	\$ -
Receipts:							
Taxes	16,325	-	-	-	-	-	-
Intergovernmental	2,741	10,033	1,909	-	-	698	874,461
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	6,188	-	-	-	-	-	-
Total receipts	<u>25,254</u>	<u>10,033</u>	<u>1,909</u>	<u>-</u>	<u>-</u>	<u>698</u>	<u>874,461</u>
Disbursements:							
Personal services	10,384	-	-	-	-	-	-
Supplies	1,315	-	2,185	-	-	-	-
Other services and charges	11,969	4,566	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,747	5,451	-	-	-	1,000	874,461
Total disbursements	<u>26,415</u>	<u>10,017</u>	<u>2,185</u>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>874,461</u>
Excess (deficiency) of receipts over disbursements	<u>(1,161)</u>	<u>16</u>	<u>(276)</u>	<u>-</u>	<u>-</u>	<u>(302)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 11,215</u>	<u>\$ 8,270</u>	<u>\$ 340</u>	<u>\$ 1,023</u>	<u>\$ 37</u>	<u>\$ 1,152</u>	<u>\$ -</u>

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

	Edit	Fema	Donation (Capital Project)	Water Utility-Operating	Water Utility- Depreciation/Improve	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 13,084	\$ 417	\$ 55	\$ 26,620	\$ 3,799	\$ 3,960	\$ 71,695
Receipts:							
Taxes	-	-	-	-	-	-	16,325
Intergovernmental	3,422	-	-	-	-	-	893,264
Utility fees	-	-	-	62,823	-	-	62,823
Penalties	-	-	-	1,477	-	-	1,477
Other receipts	-	-	-	4	-	200	6,392
Total receipts	<u>3,422</u>	<u>-</u>	<u>-</u>	<u>64,304</u>	<u>-</u>	<u>200</u>	<u>980,281</u>
Disbursements:							
Personal services	2,606	-	-	-	-	-	12,990
Supplies	-	-	-	-	-	-	3,500
Other services and charges	-	-	-	-	-	-	16,535
Utility operating expenses	-	-	-	46,692	-	-	46,692
Other disbursements	-	-	-	4,674	-	100	888,433
Total disbursements	<u>2,606</u>	<u>-</u>	<u>-</u>	<u>51,366</u>	<u>-</u>	<u>100</u>	<u>968,150</u>
Excess (deficiency) of receipts over disbursements	<u>816</u>	<u>-</u>	<u>-</u>	<u>12,938</u>	<u>-</u>	<u>100</u>	<u>12,131</u>
Cash and investments - ending	<u>\$ 13,900</u>	<u>\$ 417</u>	<u>\$ 55</u>	<u>\$ 39,558</u>	<u>\$ 3,799</u>	<u>\$ 4,060</u>	<u>\$ 83,826</u>

TOWN OF HAZLETON  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Water	\$ 1,747	\$ 4,280
Governmental activities	784	-
Totals	\$ 2,531	\$ 4,280

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Water: Rents	Lease ground for water tower	\$ <u>575</u>	02-01-04	12-31-12
Total of annual lease payments		\$ <u><u>575</u></u>		

(This page intentionally left blank.)

TOWN OF HAZLETON  
 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	\$ 3,900
Buildings	9,000
Improvements other than buildings	874,461
Total governmental activities	887,361
Water:	
Land	500
Buildings	9,150
Improvements other than buildings	1,888,154
Machinery, equipment, and vehicles	241,458
Total Water	2,139,262
Total capital assets	\$ 3,026,623

TOWN OF HAZLETON  
AUDIT RESULTS AND COMMENTS

**INTERNAL CONTROLS**

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Examples of these are: The Town Clerk-Treasurer writes the checks, posts the ledger, and reconciles the bank to the ledger.
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. Examples of these are: The Clerk-Treasurer prepared the financial statement and notes without any oversight or approval of the statement before submission to Indiana State Board of Accounts. The financial statement presented for audit contained errors such as not including the Levee Grant Fund and not properly reporting transfers on the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. Putting complete responsibility of incompatible activities related to financial transactions on the Town Clerk-Treasurer only increases the risk that material misstatements or fraud will not be prevented, detected or corrected on a timely basis. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HAZLETON  
AUDIT RESULTS AND COMMENTS  
(Continued)

***ANNUAL REPORTS***

The Annual Reports for 2011 and 2012 contained errors and did not properly reflect the financial activity of the Town of Hazleton. These errors included not reporting transfers properly and not including the Levee Grant Fund on the annual reports.

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."

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***PENALTIES, INTEREST, AND OTHER CHARGES***

The Town paid penalties, interest, and other charges to the Internal Revenue Service in the amount of \$311.06 because the Town did not remit payments electronically on a timely basis.

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)

***ACCOUNTABLE ITEMS***

We noted a loss of 42 percent in 2012 in the amount of water pumped by the Water Utility as compared to water consumption billed for that year.

Tickets, goods for sale, billings, and other collections, are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit.

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 HAZLETON  
AUDIT RESULTS AND COMMENTS  
(Continued)

**ORDINANCES AND RESOLUTIONS**

The Town has an ordinance concerning delinquent water bills and disconnection. However, we noted that the Town did not always disconnect delinquent consumers in a timely manner, in accordance with the ordinance.

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

**OFFICIAL BOND**

The Clerk-Treasurer's surety bond was insufficient per the Indiana Code. The Clerk-Treasurer's bonds for 2011, 2012, and 2013 were below the minimum required amount by Indiana Code.

Indiana Code 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee. County auditors shall file bonds in amounts of not less than

TOWN OF HAZLETON  
AUDIT RESULTS AND COMMENTS  
(Continued)

thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000).

(d) Except as provided in subsection (j), a controller of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file an individual surety bond in an amount:

- (1) fixed by the board of directors of the solid waste management district; and
- (2) that is at least thirty thousand dollars (\$30,000).

(e) Except as provided under subsection (d), a person who is required to file an individual surety bond by the board of directors of a solid waste management district established under IC 13-21 or IC 13-9.5 (before its repeal) shall file a bond in an amount fixed by the board of directors."

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Town of Hazleton'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 program.

***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

July 31, 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.

(This page intentionally left blank.)

TOWN OF HAZLETON  
 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 Grant/State's Program and Non-Entitlement Grants in Hawaii					
Levee Project	OCRA	14.228	DR1B-09-025	\$ -	\$ 874,461

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

TOWN OF HAZLETON  
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 Hazelton 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 HAZLETON  
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; Unmodified 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:	Unmodified
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 Program

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 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 the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. Examples of these are: The Town Clerk-Treasurer writes the checks, posts the ledger, and reconciles the bank to the ledger.

TOWN OF HAZLETON  
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. Examples of these are: The Clerk-Treasurer prepared the financial statement and notes without any oversight or approval of the statement before submission to Indiana State Board of Accounts. The financial statement presented for audit contained errors such as not including the Levee Grant Fund and not properly reporting transfers on the financial statement.
  
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. Putting complete responsibility of incompatible activities related to financial transactions on the Town Clerk-Treasurer only increases the risk that material misstatements or fraud will not be prevented, detected or corrected on a timely basis. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***Section III – Federal Award Findings and Questioned Costs***

***FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM***

Federal Agency: 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): DR1B-09-025

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

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

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements; allowable activities, allowable costs, cash management, Davis-Bacon, equipment and real property management, matching, period of availability, procurement, suspension and debarment, 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.

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 states in part:

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

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

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

TOWN OF HAZLETON  
107 NORTH MAIN ST.  
HAZLETON, IN. 47640

CORRECTIVE ACTION PLANS

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

Auditee Contact Person: Marcia D. Hall  
Title of Contact Person: Clerk/treasurer  
Phone Number: (812) 784-4500

Expected Completion Date: July 17, 2013

Corrective Action:

The Town of Hazleton will review control activities over the compilation of the Financial Statements. The Town Board will work with the Clerk-Treasurer to reduce the risks of misstatement of the Financial Statements. Control activities will be selected and developed to ensure effectiveness and efficiency of Financial Statement compilation. These control activities will be presented to the Town Board for their review and input.

Signature Marcia D. Hall

Date: 7-17-13

TOWN OF HAZLETON  
107 N. MAIN ST.  
HAZLETON, INDIANA 47640

FINDING NO. 2012-2 INTERNAL CONTROLS OVER COMPLIANCE  
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO  
COMMUNITY DEVELOPMENT BLOCK GRANTS/STATES PROGRAM

AUDITEE CONTACT PERSON: MARCIA D. HALL  
TITLE OF CONTACT PERSON: CLERK/TREASURER  
PHONE NUMBER OF CONTACT PERSON 812-784-4500

THE CORRECTIVE ACTION PLAN WILL INCLUDE EFFECTIVE JULY 17, 2013  
THE FOLLOWING ITEM:

The Clerk Treasurer and the Town Board will work together to oversee the implementation of current and future Community Development Grants. This includes monitoring timelines for submitting reports and that funds are being spent properly and within the allocated time frame. The Clerk Treasurer will also forward the Town Board President monthly reports so that the Town Board President may monitor the expenditures and balances in the Community Development Grant.

Signature *Marcia D. Hall* Date: *7-19-13*

TOWN OF HAZLETON  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2013, with Marcia D. Hall, Clerk-Treasurer, and Clarence Cornwell, President of the Town Council. The officials concurred with our audit findings.