

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF GENEVA  
ADAMS COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
08/29/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William E. Warren	01-01-09 to 12-31-16
President of the Town Council	Richard Clutter	01-01-11 to 12-31-13
Superintendent of Water Utility	Ora Steven Hampshire	01-01-11 to 12-31-13
Superintendent of Wastewater Utility	Ora Steven Hampshire	01-01-11 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF GENEVA, ADAMS COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Geneva (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 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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



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 GENEVA, ADAMS 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 Geneva (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 items 2012-1 and 2012-2 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 Question Costs as item 2012-2.

***Town of Geneva'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

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## 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.

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TOWN OF GENEVA  
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	\$ 54,566	\$ 427,898	\$ 397,607	\$ 84,857	\$ 452,955	\$ 394,243	\$ 143,569
Motor Vehicle Highway	43,086	179,326	160,713	61,699	173,992	155,047	80,644
Local Road and Street	20,658	5,954	-	26,612	5,979	-	32,591
Crime Control Grant	1,618	37,002	35,059	3,561	37,001	36,101	4,461
Trash and Garbage Pickup	15,246	74,940	63,191	26,995	75,111	72,452	29,654
Abandoned Vehicle	15	-	-	15	-	-	15
Riverboat	24,783	8,561	10,000	23,344	7,659	12,000	19,003
Park and Recreation	5,736	5,852	9,943	1,645	3,967	5,000	612
Rainy Day	64,757	-	-	64,757	-	13,695	51,062
Geneva Economic Development Income Tax	169,779	28,588	42,647	155,720	37,162	51,152	141,730
Excess Levy/General	1,238	-	1,238	-	-	-	-
Cumulative Capital Development	20,045	18,596	14,756	23,885	17,552	19,675	21,762
Cumulative Fire Equipment	37,696	6,694	3,591	40,799	6,614	3,591	43,822
Cumulative Capital Improvement	5,355	3,928	4,919	4,364	3,430	4,919	2,875
Residents Sidewalk Share	871	-	650	221	-	-	221
Beautification Donation	1,167	-	180	987	-	-	987
Community Grant	1,388	-	888	500	-	-	500
Local Law	663	3,743	3,866	540	3,389	2,283	1,646
Payroll Federal W/H	-	45,232	45,232	-	44,783	44,783	-
Payroll FICA W/H	2	19,574	19,576	-	18,790	18,790	-
Payroll State W/H	-	12,820	12,820	-	12,321	12,321	-
Payroll County Adj. Gross	-	3,798	3,798	-	3,667	3,667	-
Payroll PERF W/H	2,381	8,904	11,285	-	8,912	8,912	-
Payroll Child Support	-	12,171	12,171	-	10,226	10,226	-
Payroll Komputrol Tax	2	246	246	2	246	246	2
Garnishment and Other W/H	-	942	942	-	924	924	-
Storm Water Operating	23,480	11,389	1,788	33,081	11,519	4,048	40,552
Storm Water Depreciation	785	26,539	-	27,324	26,879	5,219	48,984
Sewage Cash Operating	25,710	208,422	197,177	36,955	214,118	187,300	63,773
Sewage Depreciation	128,632	66,946	47,656	147,922	602,459	670,272	80,109
Sewage Bond and Interest	-	-	-	-	27,140	27,140	-
Water Cash Operating	101,299	218,239	160,121	159,417	186,728	173,548	172,597
Water Meter Deposit	23,015	2,950	2,681	23,284	2,574	2,354	23,504
Water Depreciation Reserve	59,231	15,239	33,828	40,642	55,801	15,200	81,243
Water Bond and Interest	29,547	31,879	24,053	37,373	18,900	24,458	31,815
<b>Totals</b>	<b>\$ 862,751</b>	<b>\$ 1,486,372</b>	<b>\$ 1,322,622</b>	<b>\$ 1,026,501</b>	<b>\$ 2,070,798</b>	<b>\$ 1,979,566</b>	<b>\$ 1,117,733</b>

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

TOWN OF GENEVA  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town.

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

*C. Cash and Investments*

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

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

TOWN OF GENEVA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

*E. Disbursements*

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

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

TOWN OF GENEVA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

**Note 4. Deposits and Investments**

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

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

TOWN OF GENEVA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**Note 5. Risk Management**

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

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

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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 GENEVA  
 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	Crime Control Grant	Trash and Garbage Pickup	Abandoned Vehicle	Riverboat	Park and Recreation	Rainy Day
Cash and investments - beginning	\$ 54,566	\$ 43,086	\$ 20,658	\$ 1,618	\$ 15,246	\$ 15	\$ 24,783	\$ 5,736	\$ 64,757
Receipts:									
Taxes	268,597	129,999	-	-	-	-	-	-	-
Licenses and permits	8,340	-	-	-	-	-	-	-	-
Intergovernmental	100,685	46,894	5,954	-	-	-	8,561	-	-
Charges for services	26,516	-	-	37,002	74,940	-	-	977	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	23,760	2,433	-	-	-	-	-	4,875	-
Total receipts	<u>427,898</u>	<u>179,326</u>	<u>5,954</u>	<u>37,002</u>	<u>74,940</u>	<u>-</u>	<u>8,561</u>	<u>5,852</u>	<u>-</u>
Disbursements:									
Personal services	205,419	66,722	-	34,403	-	-	-	-	-
Supplies	66,332	10,523	-	-	-	-	-	5,443	-
Other services and charges	112,042	66,433	-	-	63,191	-	-	4,500	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	13,814	17,035	-	-	-	-	10,000	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	656	-	-	-	-	-
Total disbursements	<u>397,607</u>	<u>160,713</u>	<u>-</u>	<u>35,059</u>	<u>63,191</u>	<u>-</u>	<u>10,000</u>	<u>9,943</u>	<u>-</u>
Excess (deficiency) of receipts over (under) disbursements	<u>30,291</u>	<u>18,613</u>	<u>5,954</u>	<u>1,943</u>	<u>11,749</u>	<u>-</u>	<u>(1,439)</u>	<u>(4,091)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 84,857</u>	<u>\$ 61,699</u>	<u>\$ 26,612</u>	<u>\$ 3,561</u>	<u>\$ 26,995</u>	<u>\$ 15</u>	<u>\$ 23,344</u>	<u>\$ 1,645</u>	<u>\$ 64,757</u>

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

	Geneva Economic Development Income Tax	Excess Levy/General	Cumulative Capital Development	Cumulative Fire Equipment	Cumulative Capital Improvement	Residents Sidewalk Share	Beautification Donation	Community Grant	Local Law
Cash and investments - beginning	\$ 169,779	\$ 1,238	\$ 20,045	\$ 37,696	\$ 5,355	\$ 871	\$ 1,167	\$ 1,388	\$ 663
Receipts:									
Taxes	-	-	17,155	6,175	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	420
Intergovernmental	28,588	-	1,441	519	3,928	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	198
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	3,125
Total receipts	<u>28,588</u>	<u>-</u>	<u>18,596</u>	<u>6,694</u>	<u>3,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,743</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	650	180	-	3,866
Debt service - principal and interest	25,700	-	14,756	-	4,919	-	-	-	-
Capital outlay	2,909	-	-	3,591	-	-	-	888	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	<u>14,038</u>	<u>1,238</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>42,647</u>	<u>1,238</u>	<u>14,756</u>	<u>3,591</u>	<u>4,919</u>	<u>650</u>	<u>180</u>	<u>888</u>	<u>3,866</u>
Excess (deficiency) of receipts over (under) disbursements	<u>(14,059)</u>	<u>(1,238)</u>	<u>3,840</u>	<u>3,103</u>	<u>(991)</u>	<u>(650)</u>	<u>(180)</u>	<u>(888)</u>	<u>(123)</u>
Cash and investments - ending	<u>\$ 155,720</u>	<u>\$ -</u>	<u>\$ 23,885</u>	<u>\$ 40,799</u>	<u>\$ 4,364</u>	<u>\$ 221</u>	<u>\$ 987</u>	<u>\$ 500</u>	<u>\$ 540</u>

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

	Payroll Federal W/H	Payroll FICA W/H	Payroll State W/H	Payroll County Adj. Gross	Payroll PERF W/H	Payroll Child Support	Payroll Komputrol Tax	Garnishment and Other W/H	Storm Water Operating
Cash and investments - beginning	\$ -	\$ 2	\$ -	\$ -	\$ 2,381	\$ -	\$ 2	\$ -	\$ 23,480
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	11,389
Other receipts	45,232	19,574	12,820	3,798	8,904	12,171	246	942	-
Total receipts	45,232	19,574	12,820	3,798	8,904	12,171	246	942	11,389
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	1,788
Other disbursements	45,232	19,576	12,820	3,798	11,285	12,171	246	942	-
Total disbursements	45,232	19,576	12,820	3,798	11,285	12,171	246	942	1,788
Excess (deficiency) of receipts over (under) disbursements	-	(2)	-	-	(2,381)	-	-	-	9,601
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 33,081

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

	Storm Water Depreciation	Sewage Cash Operating	Sewage Depreciation	Sewage Bond and Interest	Water Cash Operating	Water Meter Deposit	Water Depreciation Reserve	Water Bond and Interest	Totals
Cash and investments - beginning	\$ 785	\$ 25,710	\$ 128,632	\$ -	\$ 101,299	\$ 23,015	\$ 59,231	\$ 29,547	\$ 862,751
Receipts:									
Taxes	-	-	-	-	-	-	-	-	421,926
Licenses and permits	-	-	-	-	-	-	-	-	8,760
Intergovernmental	-	-	-	-	-	-	-	-	196,570
Charges for services	-	-	-	-	-	-	-	-	139,633
Utility fees	26,539	203,918	66,946	-	215,344	-	15,239	15,238	554,613
Other receipts	-	4,504	-	-	2,895	2,950	-	16,641	164,870
Total receipts	26,539	208,422	66,946	-	218,239	2,950	15,239	31,879	1,486,372
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	306,544
Supplies	-	-	-	-	-	-	-	-	82,298
Other services and charges	-	-	-	-	-	-	-	-	250,862
Debt service - principal and interest	-	-	-	-	-	-	-	-	45,375
Capital outlay	-	9,834	47,656	-	3,124	-	33,828	-	142,679
Utility operating expenses	-	164,815	-	-	143,327	-	-	-	309,930
Other disbursements	-	22,528	-	-	13,670	2,681	-	24,053	184,934
Total disbursements	-	197,177	47,656	-	160,121	2,681	33,828	24,053	1,322,622
Excess (deficiency) of receipts over (under) disbursements	26,539	11,245	19,290	-	58,118	269	(18,589)	7,826	163,750
Cash and investments - ending	\$ 27,324	\$ 36,955	\$ 147,922	\$ -	\$ 159,417	\$ 23,284	\$ 40,642	\$ 37,373	\$ 1,026,501

TOWN OF GENEVA  
 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	Crime Control Grant	Trash and Garbage Pickup	Abandoned Vehicle	Riverboat	Park and Recreation	Rainy Day
Cash and investments - beginning	\$ 84,857	\$ 61,699	\$ 26,612	\$ 3,561	\$ 26,995	\$ 15	\$ 23,344	\$ 1,645	\$ 64,757
Receipts:									
Taxes	276,703	128,639	-	-	-	-	-	-	-
Licenses and permits	9,275	-	-	-	-	-	-	-	-
Intergovernmental	123,148	44,653	5,979	-	-	-	7,659	-	-
Charges for services	23,137	-	-	37,001	75,111	-	-	855	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	20,692	700	-	-	-	-	-	3,112	-
Total receipts	<u>452,955</u>	<u>173,992</u>	<u>5,979</u>	<u>37,001</u>	<u>75,111</u>	<u>-</u>	<u>7,659</u>	<u>3,967</u>	<u>-</u>
Disbursements:									
Personal services	198,614	67,219	-	35,382	-	-	-	-	-
Supplies	65,445	8,981	-	-	-	-	-	1,548	-
Other services and charges	111,790	51,015	-	-	72,452	-	-	3,452	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	18,394	27,832	-	-	-	-	12,000	-	13,695
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	719	-	-	-	-	-
Total disbursements	<u>394,243</u>	<u>155,047</u>	<u>-</u>	<u>36,101</u>	<u>72,452</u>	<u>-</u>	<u>12,000</u>	<u>5,000</u>	<u>13,695</u>
Excess (deficiency) of receipts over (under) disbursements	<u>58,712</u>	<u>18,945</u>	<u>5,979</u>	<u>900</u>	<u>2,659</u>	<u>-</u>	<u>(4,341)</u>	<u>(1,033)</u>	<u>(13,695)</u>
Cash and investments - ending	<u>\$ 143,569</u>	<u>\$ 80,644</u>	<u>\$ 32,591</u>	<u>\$ 4,461</u>	<u>\$ 29,654</u>	<u>\$ 15</u>	<u>\$ 19,003</u>	<u>\$ 612</u>	<u>\$ 51,062</u>

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

	Geneva Economic Development Income Tax	Excess Levy/General	Cumulative Capital Development	Cumulative Fire Equipment	Cumulative Capital Improvement	Residents Sidewalk Share	Beautification Donation	Community Grant	Local Law
Cash and investments - beginning	\$ 155,720	\$ -	\$ 23,885	\$ 40,799	\$ 4,364	\$ 221	\$ 987	\$ 500	\$ 540
Receipts:									
Taxes	-	-	16,224	6,113	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	421
Intergovernmental	37,162	-	1,328	501	3,430	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	586
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	2,382
Total receipts	37,162	-	17,552	6,614	3,430	-	-	-	3,389
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	2,283
Debt service - principal and interest	15,500	-	19,675	-	4,919	-	-	-	-
Capital outlay	30,501	-	-	3,591	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	5,151	-	-	-	-	-	-	-	-
Total disbursements	51,152	-	19,675	3,591	4,919	-	-	-	2,283
Excess (deficiency) of receipts over (under) disbursements	(13,990)	-	(2,123)	3,023	(1,489)	-	-	-	1,106
Cash and investments - ending	\$ 141,730	\$ -	\$ 21,762	\$ 43,822	\$ 2,875	\$ 221	\$ 987	\$ 500	\$ 1,646

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

	Payroll Federal W/H	Payroll FICA W/H	Payroll State W/H	Payroll County Adj. Gross	Payroll PERF W/H	Payroll Child Support	Payroll Komputrol Tax	Garnishment and Other W/H	Storm Water Operating
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 33,081
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	11,519
Other receipts	44,783	18,790	12,321	3,667	8,912	10,226	246	924	-
Total receipts	44,783	18,790	12,321	3,667	8,912	10,226	246	924	11,519
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	1,005
Utility operating expenses	-	-	-	-	-	-	-	-	3,043
Other disbursements	44,783	18,790	12,321	3,667	8,912	10,226	246	924	-
Total disbursements	44,783	18,790	12,321	3,667	8,912	10,226	246	924	4,048
Excess (deficiency) of receipts over (under) disbursements	-	-	-	-	-	-	-	-	7,471
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2	\$ -	\$ 40,552

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

	Storm Water Depreciation	Sewage Cash Operating	Sewage Depreciation	Sewage Bond and Interest	Water Cash Operating	Water Meter Deposit	Water Depreciation Reserve	Water Bond and Interest	Totals
Cash and investments - beginning	\$ 27,324	\$ 36,955	\$ 147,922	\$ -	\$ 159,417	\$ 23,284	\$ 40,642	\$ 37,373	\$ 1,026,501
Receipts:									
Taxes	-	-	-	-	-	-	-	-	427,679
Licenses and permits	-	-	-	-	-	-	-	-	9,696
Intergovernmental	-	-	534,609	-	-	-	18,000	-	776,469
Charges for services	-	-	-	-	-	-	-	-	136,690
Utility fees	26,879	205,957	40,710	27,140	186,596	-	37,801	18,900	555,502
Other receipts	-	8,161	27,140	-	132	2,574	-	-	164,762
Total receipts	26,879	214,118	602,459	27,140	186,728	2,574	55,801	18,900	2,070,798
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	301,215
Supplies	-	-	-	-	-	-	-	-	75,974
Other services and charges	-	-	-	-	-	-	-	-	240,992
Debt service - principal and interest	-	-	-	-	-	-	-	-	40,094
Capital outlay	5,219	11,541	670,272	-	17,334	-	15,200	-	826,584
Utility operating expenses	-	167,123	-	-	151,711	-	-	-	321,877
Other disbursements	-	8,636	-	27,140	4,503	2,354	-	24,458	172,830
Total disbursements	5,219	187,300	670,272	27,140	173,548	2,354	15,200	24,458	1,979,566
Excess (deficiency) of receipts over (under) disbursements	21,660	26,818	(67,813)	-	13,180	220	40,601	(5,558)	91,232
Cash and investments - ending	\$ 48,984	\$ 63,773	\$ 80,109	\$ -	\$ 172,597	\$ 23,504	\$ 81,243	\$ 31,815	\$ 1,117,733

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

<u>Government or Enterprise</u>	<u>Accounts Receivable</u>
Geneva Storm Water	\$ 674
Geneva Sewage	11,004
Geneva Water	2,304
Governmental activities	<u>1,081</u>
Total	<u>\$ 15,063</u>

The Town did not report any payables.

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Town Maintenance Facility	\$ 95,193	\$ 20,432
Notes and loans payable	Pyle Building-Town Hall	18,659	18,922
Notes and loans payable	Hanni Building for Fire Department	<u>17,130</u>	<u>17,305</u>
Total governmental activities		<u>130,982</u>	<u>56,659</u>
Geneva Water:			
Notes and loans payable	Water infrastructure	<u>166,522</u>	<u>24,828</u>
Totals		<u>\$ 297,504</u>	<u>\$ 81,487</u>

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TOWN OF GENEVA  
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	\$ 107,393
Infrastructure	34,524
Buildings	1,234,782
Improvements other than buildings	19,681
Machinery, equipment, and vehicles	995,054
Total governmental activities	2,391,434
Geneva Sewage:	
Land	46,256
Improvements other than buildings	3,723,586
Machinery, equipment, and vehicles	335,920
Construction in progress	534,608
Total Geneva Sewage	4,640,370
Geneva Water:	
Land	17,059
Buildings	25,867
Improvements other than buildings	1,892,717
Machinery, equipment, and vehicles	19,946
Total Geneva Water	1,955,589
Total capital assets	\$ 8,987,393

TOWN OF GENEVA  
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to 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.
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 statement 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 statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

TOWN OF GENEVA  
AUDIT RESULTS AND COMMENTS  
(Continued)

***INTERNAL CONTROLS OVER PREPARATION OF  
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 omission of some federal grants on the SEFA for the years 2011 and 2012. An audit adjustment was proposed, accepted by the Town, and made to the SEFA presented in this report. This adjustment 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.

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)

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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 GENEVA, ADAMS COUNTY, INDIANA

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

We have audited the Town of Geneva'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 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.

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

July 31, 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.

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TOWN OF GENEVA  
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 Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760			
Predevelopment Planning Grant			FY2012	\$ -	\$ 18,000
Total - Department of Agriculture				-	18,000
<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			
Geneva Wastewater Infrastructure Improvement			CF-11-106	-	534,608
Total - Department of Housing and Urban Development				-	534,608
<u>Department of Transportation</u>					
Highway Safety Cluster					
Safety Belt Performance Grants	City of Decatur	20.609			
			032NHTSA4022011	1,678	-
			032NHTSA4062012	-	1,075
Total - Department of Transportation				1,678	1,075
Total federal awards expended				\$ 1,678	\$ 553,683

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

TOWN OF GENEVA  
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 Geneva 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 GENEVA  
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?	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:	Unmodified
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 2012-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

TOWN OF GENEVA  
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 statement 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 statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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)

***FINDING 2012-2 - INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

The Town of Geneva 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 omission of some federal grants on the SEFA for the years 2011 and 2012. An audit adjustment was proposed, accepted by the Town, and made to the SEFA presented in this report. This adjustment 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.

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 GENEVA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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:

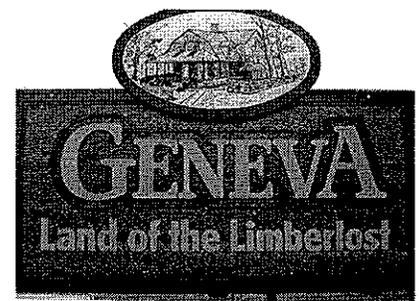
"Schedule of expenditures of Federal awards. The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through 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.

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## SBOA AUDIT-JULY 2013

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

1. While it would be nice to have resources available to segregate financial responsibility among different individuals the recent economic downturn and the State Legislature's decision to enact property tax caps have reduced even further a small community's ability to do so. This office has reduced the Deputy/Utility Clerks hours and eliminated the Town Managers positions with a significant portion of those responsibilities falling on the Clerk-Treasurer. An area that was previously identified as a potential problem was utility adjustments. The Utility Clerk makes the adjustments and the Clerk-Treasurer reviews the adjustments. The Utility Clerk handles most of the incoming cash to both utilities and the Town. The Clerk-Treasurer entered receipts into the Keystone software, thereby minimizing the opportunity for misappropriation.
2. Clerk-Treasurer enters APV's and Receipts into Keystone software and provides Council with a financial summary at each council meeting showing disbursements, receipts, account balances, and reconciliation. They are also provided with the APV and payroll transactions.
3. All financial data is available to Council for their review and they sign off APV and payroll registers along with the reconciliation report.

### FINDING 2012-2---INTERNAL CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. There were three Federal awards identified in the audit of 2011 and 2012.
  - a. A Pre-Planning development grant from USDA-RD for a water system study
  - b. A wastewater infrastructure improvement project from OCRA
  - c. Several payments to police officers for Operation Pull-Over from Dept of Transportation.

The USDA-RD grant was overlooked by the Clerk-Treasurer when completing the annual report. The OCRA grant was reported properly. The Dept. of

Transportation grant was paid to the Town by the City of Decatur and the Clerk-Treasurer was unaware that it was a Federal Grant.

All Federal grant information is now being kept in a drawer for easy retrieval and accurate reporting.

A handwritten signature in black ink, appearing to read "Will Warren", with a long horizontal flourish extending to the right.

William E. Warren  
Clerk-Treasurer  
Town of Geneva

TOWN OF GENEVA  
EXIT CONFERENCE

The contents of this report were discussed on July 31, 2013, with William E. Warren, Clerk-Treasurer, and Richard Clutter, President of the Town Council. The officials concurred with our audit findings.