

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MONON  
WHITE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
09/18/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Michele J. Robinson Timothy L. Brown	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Bryan Rinker JJ Selagy	01-01-11 to 04-19-11 04-19-11 to 12-31-13



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MONON, WHITE COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Monon (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 August 21, 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

August 21, 2013



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

TO: THE OFFICIALS OF THE TOWN OF MONON, WHITE 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 Monon (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 August 21, 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.

***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

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)

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 Monon's Response to Findings***

The Town's response to the findings identified in our audit is described in the accompanying Corrective Action Plans. 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

August 21, 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 MONON  
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	\$ 870,332	\$ 505,187	\$ 413,915	\$ 961,604	\$ 490,774	\$ 423,817	\$ 1,028,561
Motor Vehicle Highway	189,759	69,571	57,167	202,163	78,813	108,030	172,946
Local Road & Street	-	6,163	-	6,163	6,853	-	13,016
Park	39,637	31,836	34,544	36,929	42,745	46,575	33,099
Law Enforcement Cont'D Ed	1,043	806	571	1,278	753	800	1,231
Unsafe Building Fund	2,310	-	349	1,961	-	-	1,961
Riverboat Gaming Tax Fund	31,275	16,345	13,743	33,877	10,527	9,469	34,935
Rainy Day Fund	23,073	-	6,480	16,593	-	357	16,236
Co. Economical Dev. Tax	71,896	27,784	20,051	79,629	37,337	74,868	42,098
Forfeited Property Fund	199	-	-	199	-	-	199
Levy Excess	1,013	-	-	1,013	1,618	-	2,631
C.C.D. Fund	38,065	8,199	-	46,264	6,415	39,019	13,660
Downtown Revitalization	-	-	-	-	603,111	505,811	97,300
Stormwater Grant	-	407,867	407,867	-	489,133	489,133	-
Cum. Capital Improvement	19,664	58,130	23,602	54,192	4,713	-	58,905
Perf Fund	-	-	-	-	8,972	8,972	-
Civic Center	4,119	2,183	2,675	3,627	2,735	1,623	4,739
Operation Pullover Grant	250	-	250	-	-	-	-
Town Court Fees & Fines	1,968	-	1,968	-	-	-	-
Historical Preservation	224	-	-	224	-	-	224
Payroll	3,052	379,911	379,864	3,099	366,005	363,887	5,217
Wastewater Operating	128,100	385,915	431,224	82,791	364,721	406,372	41,140
Wastewater B & I	1	142,419	142,348	72	139,667	139,735	4
Wastewater Depreciation	220,231	42,418	67,912	194,737	10,182	6,246	198,673
W.W.T.P. Construction	733,526	3,171	68,814	667,883	17,204	86,551	598,536
Wastewater Stormwater Project	-	486,681	476,681	10,000	483,977	483,977	10,000
W.W. - Retainage Acct	-	30,825	-	30,825	44,989	46,645	29,169
Wastewater Debt Reserve	52,342	29,910	-	82,252	29,910	-	112,162
Water Operating	1,153	231,628	232,077	704	234,518	229,619	5,603
Water B & I	117	51,714	51,652	179	50,291	50,448	22
Water Depreciation	25,266	12,487	22,396	15,357	911	-	16,268
Water Deposit	37,916	45,000	42,904	40,012	44,603	45,460	39,155
Water Debt Reserve	54,683	-	-	54,683	-	-	54,683
<b>Totals</b>	<b>\$ 2,551,214</b>	<b>\$ 2,976,150</b>	<b>\$ 2,899,054</b>	<b>\$ 2,628,310</b>	<b>\$ 3,571,477</b>	<b>\$ 3,567,414</b>	<b>\$ 2,632,373</b>

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

TOWN OF MONON  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

TOWN OF MONON  
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.

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

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

Penalties which include fees received for late payments.

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

*E. Disbursements*

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

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

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

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

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

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

TOWN OF MONON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

TOWN OF MONON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

**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.

**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

TOWN OF MONON  
NOTES TO FINANCIAL STATEMENT  
(Continued)

*Funding Policy and Annual Pension Cost*

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

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

	General	Motor Vehicle Highway	Local Road & Street	Park	Law Enforcement Cont'D Ed	Unsafe Building Fund	Riverboat Gaming Tax Fund	Rainy Day Fund	Co. Economical Dev. Tax
Cash and investments - beginning	\$ 870,332	\$ 189,759	\$ -	\$ 39,637	\$ 1,043	\$ 2,310	\$ 31,275	\$ 23,073	\$ 71,896
Receipts:									
Taxes	276,737	20,207	-	17,541	-	-	-	-	-
Licenses and permits	-	-	-	-	370	-	-	-	-
Intergovernmental	148,480	48,464	6,163	2,735	-	-	10,845	-	27,784
Charges for services	74,747	900	-	-	155	-	-	-	-
Fines and forfeits	1,418	-	-	-	281	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	3,805	-	-	11,560	-	-	5,500	-	-
Total receipts	<u>505,187</u>	<u>69,571</u>	<u>6,163</u>	<u>31,836</u>	<u>806</u>	<u>-</u>	<u>16,345</u>	<u>-</u>	<u>27,784</u>
Disbursements:									
Personal services	195,196	28,195	-	17,332	-	-	-	-	-
Supplies	23,928	5,785	-	1,302	204	-	-	-	-
Other services and charges	170,329	23,007	-	7,134	367	349	9,630	-	-
Capital outlay	24,270	180	-	8,776	-	-	4,113	6,480	20,051
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	192	-	-	-	-	-	-	-	-
Total disbursements	<u>413,915</u>	<u>57,167</u>	<u>-</u>	<u>34,544</u>	<u>571</u>	<u>349</u>	<u>13,743</u>	<u>6,480</u>	<u>20,051</u>
Excess (deficiency) of receipts over disbursements	<u>91,272</u>	<u>12,404</u>	<u>6,163</u>	<u>(2,708)</u>	<u>235</u>	<u>(349)</u>	<u>2,602</u>	<u>(6,480)</u>	<u>7,733</u>
Cash and investments - ending	<u>\$ 961,604</u>	<u>\$ 202,163</u>	<u>\$ 6,163</u>	<u>\$ 36,929</u>	<u>\$ 1,278</u>	<u>\$ 1,961</u>	<u>\$ 33,877</u>	<u>\$ 16,593</u>	<u>\$ 79,629</u>

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

	Forfeited Property Fund	Levy Excess	C.C.D. Fund	Downtown Revitalization	Stormwater Grant	Cum. Capital Improvement	Perf Fund	Civic Center	Operation Pullover Grant
Cash and investments - beginning	\$ 199	\$ 1,013	\$ 38,065	\$ -	\$ -	\$ 19,664	\$ -	\$ 4,119	\$ 250
Receipts:									
Taxes	-	-	7,083	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	1,116	-	-	4,977	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	407,867	53,153	-	2,183	-
Total receipts	-	-	8,199	-	407,867	58,130	-	2,183	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	2,675	250
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	407,867	23,602	-	-	-
Total disbursements	-	-	-	-	407,867	23,602	-	2,675	250
Excess (deficiency) of receipts over disbursements	-	-	8,199	-	-	34,528	-	(492)	(250)
Cash and investments - ending	\$ 199	\$ 1,013	\$ 46,264	\$ -	\$ -	\$ 54,192	\$ -	\$ 3,627	\$ -

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

	Town Court Fees & Fines	Historical Preservation	Payroll	Wastewater Operating	Wastewater B & I	Wastewater Depreciation	W.W.T.P. Construction	Wastewater Stormwater Project
Cash and investments - beginning	\$ 1,968	\$ 224	\$ 3,052	\$ 128,100	\$ 1	\$ 220,231	\$ 733,526	\$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	318,130	-	-	-	-
Penalties	-	-	-	6,856	-	-	-	-
Other receipts	-	-	379,911	60,929	142,419	42,418	3,171	486,681
Total receipts	-	-	379,911	385,915	142,419	42,418	3,171	486,681
Disbursements:								
Personal services	-	-	308,468	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	9,412	-	25,912	-	-
Utility operating expenses	-	-	-	207,578	-	-	-	445,856
Other disbursements	1,968	-	71,396	214,234	142,348	42,000	68,814	30,825
Total disbursements	1,968	-	379,864	431,224	142,348	67,912	68,814	476,681
Excess (deficiency) of receipts over disbursements	(1,968)	-	47	(45,309)	71	(25,494)	(65,643)	10,000
Cash and investments - ending	\$ -	\$ 224	\$ 3,099	\$ 82,791	\$ 72	\$ 194,737	\$ 667,883	\$ 10,000

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

	W.W. - Retainage Acct	Wastewater Debt Reserve	Water Operating	Water B & I	Water Depreciation	Water Deposit	Water Debt Reserve	Totals
Cash and investments - beginning	\$ -	\$ 52,342	\$ 1,153	\$ 117	\$ 25,266	\$ 37,916	\$ 54,683	\$ 2,551,214
Receipts:								
Taxes	-	-	-	-	-	-	-	321,568
Licenses and permits	-	-	-	-	-	-	-	370
Intergovernmental	-	-	-	-	-	-	-	250,564
Charges for services	-	-	-	-	-	-	-	75,802
Fines and forfeits	-	-	-	-	-	-	-	1,699
Utility fees	-	-	211,404	-	-	-	-	529,534
Penalties	-	-	1,513	-	-	-	-	8,369
Other receipts	30,825	29,910	18,711	51,714	12,487	45,000	-	1,788,244
Total receipts	<u>30,825</u>	<u>29,910</u>	<u>231,628</u>	<u>51,714</u>	<u>12,487</u>	<u>45,000</u>	<u>-</u>	<u>2,976,150</u>
Disbursements:								
Personal services	-	-	-	-	-	-	-	549,191
Supplies	-	-	-	-	-	-	-	31,219
Other services and charges	-	-	-	-	-	-	-	213,741
Capital outlay	-	-	-	-	4,896	-	-	104,090
Utility operating expenses	-	-	164,673	-	-	-	-	818,107
Other disbursements	-	-	67,404	51,652	17,500	42,904	-	1,182,706
Total disbursements	<u>-</u>	<u>-</u>	<u>232,077</u>	<u>51,652</u>	<u>22,396</u>	<u>42,904</u>	<u>-</u>	<u>2,899,054</u>
Excess (deficiency) of receipts over disbursements	<u>30,825</u>	<u>29,910</u>	<u>(449)</u>	<u>62</u>	<u>(9,909)</u>	<u>2,096</u>	<u>-</u>	<u>77,096</u>
Cash and investments - ending	<u>\$ 30,825</u>	<u>\$ 82,252</u>	<u>\$ 704</u>	<u>\$ 179</u>	<u>\$ 15,357</u>	<u>\$ 40,012</u>	<u>\$ 54,683</u>	<u>\$ 2,628,310</u>

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

	General	Motor Vehicle Highway	Local Road & Street	Park	Law Enforcement Cont'D Ed	Unsafe Building Fund	Riverboat Gaming Tax Fund	Rainy Day Fund	Co. Economical Dev. Tax
Cash and investments - beginning	\$ 961,604	\$ 202,163	\$ 6,163	\$ 36,929	\$ 1,278	\$ 1,961	\$ 33,877	\$ 16,593	\$ 79,629
Receipts:									
Taxes	237,358	24,977	-	26,147	-	-	-	-	-
Licenses and permits	-	-	-	-	310	-	-	-	-
Intergovernmental	173,456	45,354	6,853	4,516	-	-	10,527	-	37,337
Charges for services	76,440	900	-	-	443	-	-	-	-
Fines and forfeits	135	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	3,385	7,582	-	12,082	-	-	-	-	-
Total receipts	<u>490,774</u>	<u>78,813</u>	<u>6,853</u>	<u>42,745</u>	<u>753</u>	<u>-</u>	<u>10,527</u>	<u>-</u>	<u>37,337</u>
Disbursements:									
Personal services	148,323	29,859	-	16,148	-	-	-	-	-
Supplies	25,010	2,337	-	-	400	-	-	-	-
Other services and charges	166,253	66,628	-	14,782	-	-	4,469	-	-
Capital outlay	26,979	9,206	-	15,645	-	-	5,000	357	74,868
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	57,252	-	-	-	400	-	-	-	-
Total disbursements	<u>423,817</u>	<u>108,030</u>	<u>-</u>	<u>46,575</u>	<u>800</u>	<u>-</u>	<u>9,469</u>	<u>357</u>	<u>74,868</u>
Excess (deficiency) of receipts over disbursements	<u>66,957</u>	<u>(29,217)</u>	<u>6,853</u>	<u>(3,830)</u>	<u>(47)</u>	<u>-</u>	<u>1,058</u>	<u>(357)</u>	<u>(37,531)</u>
Cash and investments - ending	<u>\$ 1,028,561</u>	<u>\$ 172,946</u>	<u>\$ 13,016</u>	<u>\$ 33,099</u>	<u>\$ 1,231</u>	<u>\$ 1,961</u>	<u>\$ 34,935</u>	<u>\$ 16,236</u>	<u>\$ 42,098</u>

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

	Forfeited Property Fund	Levy Excess	C.C.D. Fund	Downtown Revitalization	Stormwater Grant	Cum. Capital Improvement	Perf Fund	Civic Center	Operation Pullover Grant
Cash and investments - beginning	\$ 199	\$ 1,013	\$ 46,264	\$ -	\$ -	\$ 54,192	\$ -	\$ 3,627	\$ -
Receipts:									
Taxes	-	1,618	5,470	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	945	393,364	-	4,713	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	209,747	489,133	-	8,972	2,735	-
Total receipts	-	1,618	6,415	603,111	489,133	4,713	8,972	2,735	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	1,623	-
Capital outlay	-	-	39,019	505,811	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	489,133	-	8,972	-	-
Total disbursements	-	-	39,019	505,811	489,133	-	8,972	1,623	-
Excess (deficiency) of receipts over disbursements	-	1,618	(32,604)	97,300	-	4,713	-	1,112	-
Cash and investments - ending	\$ 199	\$ 2,631	\$ 13,660	\$ 97,300	\$ -	\$ 58,905	\$ -	\$ 4,739	\$ -

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

	Town Court Fees & Fines	Historical Preservation	Payroll	Wastewater Operating	Wastewater B & I	Wastewater Depreciation	W.W.T.P. Construction	Wastewater Stormwater Project
Cash and investments - beginning	\$ -	\$ 224	\$ 3,099	\$ 82,791	\$ 72	\$ 194,737	\$ 667,883	\$ 10,000
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	3,168	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	354,059	-	-	-	-
Penalties	-	-	-	7,405	-	-	-	-
Other receipts	-	-	366,005	3,257	139,667	10,182	14,036	483,977
Total receipts	-	-	366,005	364,721	139,667	10,182	17,204	483,977
Disbursements:								
Personal services	-	-	289,438	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	1,658	-	-	-	-	-
Capital outlay	-	-	-	15,294	-	6,246	-	-
Utility operating expenses	-	-	-	211,577	-	-	86,551	-
Other disbursements	-	-	72,791	179,501	139,735	-	-	483,977
Total disbursements	-	-	363,887	406,372	139,735	6,246	86,551	483,977
Excess (deficiency) of receipts over disbursements	-	-	2,118	(41,651)	(68)	3,936	(69,347)	-
Cash and investments - ending	\$ -	\$ 224	\$ 5,217	\$ 41,140	\$ 4	\$ 198,673	\$ 598,536	\$ 10,000

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

	W.W. - Retainage Acct	Wastewater Debt Reserve	Water Operating	Water B & I	Water Depreciation	Water Deposit	Water Debt Reserve	Totals
Cash and investments - beginning	\$ 30,825	\$ 82,252	\$ 704	\$ 179	\$ 15,357	\$ 40,012	\$ 54,683	\$ 2,628,310
Receipts:								
Taxes	-	-	-	-	-	-	-	295,570
Licenses and permits	-	-	-	-	-	-	-	310
Intergovernmental	-	-	-	-	-	-	-	680,233
Charges for services	-	-	-	-	-	-	-	77,783
Fines and forfeits	-	-	-	-	-	-	-	135
Utility fees	-	-	228,575	-	-	-	-	582,634
Penalties	-	-	1,608	-	-	-	-	9,013
Other receipts	44,989	29,910	4,335	50,291	911	44,603	-	1,925,799
Total receipts	44,989	29,910	234,518	50,291	911	44,603	-	3,571,477
Disbursements:								
Personal services	-	-	-	-	-	-	-	483,768
Supplies	-	-	-	-	-	-	-	27,747
Other services and charges	-	-	-	-	-	-	-	255,413
Capital outlay	-	-	-	-	-	-	-	698,425
Utility operating expenses	-	-	171,246	-	-	-	-	469,374
Other disbursements	46,645	-	58,373	50,448	-	45,460	-	1,632,687
Total disbursements	46,645	-	229,619	50,448	-	45,460	-	3,567,414
Excess (deficiency) of receipts over disbursements	(1,656)	29,910	4,899	(157)	911	(857)	-	4,063
Cash and investments - ending	\$ 29,169	\$ 112,162	\$ 5,603	\$ 22	\$ 16,268	\$ 39,155	\$ 54,683	\$ 2,632,373

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 35,515	\$ 1,000
Wastewater	36,384	500
Water	12,155	-
Totals	\$ 84,054	\$ 1,500

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Wastewater Improvement Bonds	<u>\$ 1,640,000</u>	<u>\$ 144,036</u>
Water: Revenue bonds	New Water Plant and Wells	<u>325,000</u>	<u>49,223</u>
Totals		<u><u>\$ 1,965,000</u></u>	<u><u>\$ 193,259</u></u>

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TOWN OF MONON  
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	\$ 3,000
Infrastructure	103,520
Buildings	295,466
Improvements other than buildings	105,763
Machinery, equipment, and vehicles	250,132
Total governmental activities	757,881
Wastewater:	
Land	3,750
Infrastructure	5,686,429
Buildings	546,550
Improvements other than buildings	12,750
Machinery, equipment, and vehicles	1,661,561
Total Wastewater	7,911,040
Water:	
Land	65,351
Infrastructure	1,012,224
Buildings	526,750
Improvements other than buildings	1,130,666
Machinery, equipment, and vehicles	557,400
Total Water	3,292,391
Total capital assets	\$ 11,961,312

TOWN OF MONON  
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 a reliable financial statement 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 place 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 of Indiana, Chapter 7)

TOWN OF MONON  
AUDIT RESULTS AND COMMENTS  
(Continued)

***INTERNAL CONTROLS OVER THE SCHEDULE 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.

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 of Indiana, Chapter 7)

***BANK ACCOUNT RECONCILIATIONS***

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliation did not balance due to an error in the posting of a \$10,000 transfer from the Wastewater Stormwater Project Fund to the retainage account.

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

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 MONON, WHITE COUNTY, INDIANA

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

We have audited the Town of Monon'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 the 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 2012-3 to be a material weakness.

The Town's response to the internal control over compliance findings identified in our audit is described in the accompanying Corrective Action Plans. 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

August 21, 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 MONON  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's					
Program and Non-Entitlement Grants in Hawaii					
	Indiana Office of Community and Rural Affairs	14.228	CF-11-111	\$ -	\$ 430,622
		14.228	DR2-09-108	<u>407,867</u>	<u>489,133</u>
				<u>407,867</u>	<u>919,755</u>
Total - CDBG - State-Administered CDBG Cluster					
<u>Department of Energy</u>					
	Indiana Office of Energy Development	81.041	DE-EE-000725	<u>53,194</u>	<u>-</u>
				<u>\$ 461,061</u>	<u>\$ 919,755</u>
Total federal awards expended				<u>\$ 461,061</u>	<u>\$ 919,755</u>

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

TOWN OF MONON  
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 Monon 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 MONON  
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 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 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 MONON  
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 a reliable financial statement 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 place 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 of Indiana, Chapter 7)

***FINDING 2012-2 – CONTROLS OVER 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.

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 of Indiana, Chapter 7)

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

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

**FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANT/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII**

Federal Agency: Department of Housing and Urban Development

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

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-108; CF-11-11

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

Management of the Town of Monon 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; activities allowed or unallowed; allowable costs/cost principles; cash management; davis-bacon act; matching; period of availability; procurement and 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 of the compliance requirements that have a direct and material effect to the program.

# TOWN OF MONON

Box 657  
Monon, Indiana 47959  
219/253-6441

August 6, 2013

## CORRECTIVE ACTION PLAN

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

**Audit Finding:** The Town had several deficiencies in their internal control system related to financial transactions and reporting in the following areas:  
Lack of Segregation of Duties, Preparing Financial Statements and  
Monitoring of Controls

### **Corrective Action Plan:**

The Town will strive to improve our internal control system where possible in the areas of Segregation of Duties, Preparation of Financial Statements and monitoring of Controls.

Signed:   
Title: CLERK & TREASURER  
Date: 08-06-2013

# TOWN OF MONON

Box 657  
Monon, Indiana 47959  
219/253-6441

August 6, 2013

## CORRECTIVE ACTION PLAN

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

**Audit Finding:** 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). Without the proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

#### **Corrective Action Plan:**

The Town has been made aware of this new requirement and strives to comply with the federal requirements by providing better documentation of our overall review and oversight responsibility of SEFA reporting.

Signed:

Smithy L. Brown

Title:

CLERK-TREASURER

Date:

08-06-2013

# TOWN OF MONON

Box 657  
Monon, Indiana 47959  
219/253-6441

August 6, 2013

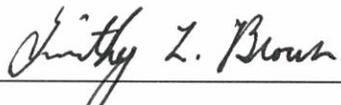
## CORRECTIVE ACTION PLAN

FINDING 2012-3 INTERNAL CONTROLS OVER COMPLIANCE  
REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL  
EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS.

**Audit Finding:** The Town did not have a proper system of internal controls in place to prevent or detect and correct errors on its requirements that have a direct and material effect to community development block grant / state programs and non-entitlement grants in Hawaii.

### **Corrective Action Plan:**

The Town's management will strive to 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.

Signed:   
Title: CLERK - TREASURER  
Date: 08-06-2013

TOWN OF MONON  
EXIT CONFERENCE

The contents of this report were discussed on August 21, 2013, with Timothy L. Brown, Clerk-Treasurer, and JJ Selagy, President of the Town Council. The officials concurred with our audit findings.