

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF CENTERVILLE
WAYNE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/23/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janice Roberts	01-01-08 to 12-31-15
President of the Town Council	Daniel Wandersee	01-01-11 to 12-31-13
Superintendent of Utilities	Terry Stover	01-01-11 to 12-31-13



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CENTERVILLE, WAYNE COUNTY, INDIANA

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Town of Centerville (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 these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Town did not properly maintain accounting records. The ledger did not include postings for all financial activity that occurred during the audit period. As a result, the ledger balance could not be reconciled to the bank balance. The Town's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Disclaimer of Opinion

Because of the significance of the matter discussed in the *Basis for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on this financial statement.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 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. Because of the significance of the matters described in the (*Basis for Disclaimer of Opinion*) paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

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 any auditing procedures and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

July 22, 2013



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 CENTERVILLE, WAYNE COUNTY, INDIANA

We were engaged to 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, the financial statement of the Town of Centerville (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 22, 2013. A disclaimer of opinion was issued on the financial statement because we were unable to verify that the financial statement is fairly stated.

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. Given these limitations, 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 Questioned Costs as items 2012-1 and 2012-2.

Town of Centerville'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 any auditing procedures 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 22, 2013

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

Fund	Cash and Investments			Cash and Investments			Cash and Investments
	01-01-11	Receipts	Disbursements	12-31-11	Receipts	Disbursements	
General	\$ 283,464	\$ 477,255	\$ 526,167	\$ 234,552	\$ 565,180	\$ 675,762	\$ 123,970
Motor Vehicle Highway	30,175	-	-	30,175	86,441	141,542	(24,926)
Local Road And Street	162,231	-	-	162,231	23,380	-	185,611
Economic Development Operating	-	56,751	-	56,751	31,548	-	88,299
Law Enforcement Continuing Ed	5,672	1,193	-	6,865	1,855	-	8,720
Riverboat	106,944	-	-	106,944	37,955	-	144,899
Rainy Day	133,562	-	-	133,562	-	-	133,562
Levy Excess	2,833	-	-	2,833	-	-	2,833
Cumulative Capital Development	229,420	-	-	229,420	8,878	-	238,298
Highway Service F/D	23,597	-	-	23,597	561	-	24,158
Cumulative Cap Imprv (Special Fire)	-	20,839	19,641	1,198	18,121	-	19,319
Cci Cig Tax	62,997	-	-	62,997	6,768	-	69,765
Housing	44,391	-	-	44,391	62,646	-	107,037
Fire Donation	9,750	-	-	9,750	-	-	9,750
P/D Grant 154AI04-04-04-01	380	-	-	380	-	-	380
P/D Grant 154AI05-03-03-63	1,500	-	-	1,500	-	-	1,500
Water St. Project	23,240	-	-	23,240	-	-	23,240
P/D Court Returns	25,280	-	-	25,280	909	-	26,189
Fire Equipment Debt	1,726	-	-	1,726	34,520	34,520	1,726
Gen Oblig Bond 06 Fd	-	38,000	38,000	-	34,520	-	34,520
Police	4,475	-	-	4,475	8,141	-	12,616
Beautification	638	-	-	638	-	-	638
Unemployment	-	754	754	-	-	-	-
Electric Utility-Operating	618,734	2,063,486	2,272,133	410,087	-	-	410,087
Electric Utility-Customer Deposit	25,080	19,800	17,640	27,240	-	-	27,240
Storm Water Utility-Operating	197,965	162,627	121,904	238,688	-	-	238,688
Storm Water Util-Bond And Interest	10,152	94,974	94,974	10,152	-	-	10,152
Wastewater Utility-Operating	751,613	845,030	430,977	1,165,666	-	-	1,165,666
Wastewater Util-Bond And Interest	93,414	-	-	93,414	-	-	93,414
Wastewater Utility-Customer Deposit	12,617	7,400	6,540	13,477	-	-	13,477
Wastewater Utility-Other #1	4,285	-	-	4,285	-	-	4,285
Wastewater Utility-Other #10	38,887	-	-	38,887	-	-	38,887
Wastewater Utility-Other #15	261	-	-	261	-	-	261
Water Utility-Operating	30,733	382,505	305,282	107,956	-	-	107,956
Water Utility-Customer Deposit	5,585	3,750	3,085	6,250	-	-	6,250
Water Utility-Construction	7,581	-	-	7,581	-	-	7,581
Totals	\$ 2,949,182	\$ 4,174,364	\$ 3,837,097	\$ 3,286,449	\$ 921,423	\$ 851,824	\$ 3,356,048

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

TOWN OF CENTERVILLE
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 CENTERVILLE
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.

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

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

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

TOWN OF CENTERVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

TOWN OF CENTERVILLE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. 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 CENTERVILLE
 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	Economic Development Operating	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Levy Excess	Cumulative Capital Development	Highway Service F/D
Cash and investments - beginning	\$ 283,464	\$ 30,175	\$ 162,231	\$ -	\$ 5,672	\$ 106,944	\$ 133,562	\$ 2,833	\$ 229,420	\$ 23,597
Receipts:										
Taxes	344,958	-	-	-	-	-	-	-	-	-
Licenses and permits	6,234	-	-	-	1,030	-	-	-	-	-
Intergovernmental	29,937	-	-	56,751	-	-	-	-	-	-
Charges for services	93,526	-	-	-	163	-	-	-	-	-
Fines and forfeits	2,600	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-	-
Total receipts	<u>477,255</u>	<u>-</u>	<u>-</u>	<u>56,751</u>	<u>1,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:										
Personal services	262,816	-	-	-	-	-	-	-	-	-
Supplies	31,380	-	-	-	-	-	-	-	-	-
Other services and charges	213,475	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	18,496	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	<u>526,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(48,912)</u>	<u>-</u>	<u>-</u>	<u>56,751</u>	<u>1,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 234,552</u>	<u>\$ 30,175</u>	<u>\$ 162,231</u>	<u>\$ 56,751</u>	<u>\$ 6,865</u>	<u>\$ 106,944</u>	<u>\$ 133,562</u>	<u>\$ 2,833</u>	<u>\$ 229,420</u>	<u>\$ 23,597</u>

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

	Cumulative Cap Imprv (Special Fire)	Cci Cig Tax	Housing	Fire Donation	P/D Grant 154AI04-04-04-01	P/D Grant 154AI05-03-03-63	Water St. Project	P/D Court Returns	Fire Equipment Debt
Cash and investments - beginning	\$ -	\$ 62,997	\$ 44,391	\$ 9,750	\$ 380	\$ 1,500	\$ 23,240	\$ 25,280	\$ 1,726
Receipts:									
Taxes	20,839	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>20,839</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	19,641	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	<u>19,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,198</u>	<u>\$ 62,997</u>	<u>\$ 44,391</u>	<u>\$ 9,750</u>	<u>\$ 380</u>	<u>\$ 1,500</u>	<u>\$ 23,240</u>	<u>\$ 25,280</u>	<u>\$ 1,726</u>

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

	Gen Oblig Bond 06 Fd	Police	Beautification	Unemployment	Electric Utility-Operating	Electric Utility-Customer Deposit	Storm Water Utility-Operating	Storm Water Util-Bond And Interest	Wastewater Utility-Operating
Cash and investments - beginning	\$ -	\$ 4,475	\$ 638	\$ -	\$ 618,734	\$ 25,080	\$ 197,965	\$ 10,152	\$ 751,613
Receipts:									
Taxes	38,000	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	2,063,486	19,800	162,627	-	845,030
Other receipts	-	-	-	754	-	-	-	94,974	-
Total receipts	38,000	-	-	754	2,063,486	19,800	162,627	94,974	845,030
Disbursements:									
Personal services	-	-	-	754	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	38,000	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	2,272,133	17,640	26,930	-	430,977
Other disbursements	-	-	-	-	-	-	94,974	94,974	-
Total disbursements	38,000	-	-	754	2,272,133	17,640	121,904	94,974	430,977
Excess (deficiency) of receipts over disbursements	-	-	-	-	(208,647)	2,160	40,723	-	414,053
Cash and investments - ending	\$ -	\$ 4,475	\$ 638	\$ -	\$ 410,087	\$ 27,240	\$ 238,688	\$ 10,152	\$ 1,165,666

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

	Wastewater Util-Bond And Interest	Wastewater Utility-Customer Deposit	Wastewater Utility-Other #1	Wastewater Utility-Other #10	Wastewater Utility-Other #15	Water Utility-Operating	Water Utility-Customer Deposit	Water Utility-Construction	Totals
Cash and investments - beginning	\$ 93,414	\$ 12,617	\$ 4,285	\$ 38,887	\$ 261	\$ 30,733	\$ 5,585	\$ 7,581	\$ 2,949,182
Receipts:									
Taxes	-	-	-	-	-	-	-	-	403,797
Licenses and permits	-	-	-	-	-	-	-	-	7,264
Intergovernmental	-	-	-	-	-	-	-	-	86,688
Charges for services	-	-	-	-	-	-	-	-	93,689
Fines and forfeits	-	-	-	-	-	-	-	-	2,600
Utility fees	-	7,400	-	-	-	382,505	3,750	-	3,484,598
Other receipts	-	-	-	-	-	-	-	-	95,728
Total receipts	-	7,400	-	-	-	382,505	3,750	-	4,174,364
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	263,570
Supplies	-	-	-	-	-	-	-	-	31,380
Other services and charges	-	-	-	-	-	-	-	-	213,475
Debt service - principal and interest	-	-	-	-	-	-	-	-	19,641
Capital outlay	-	-	-	-	-	-	-	-	56,496
Utility operating expenses	-	6,540	-	-	-	305,282	3,085	-	3,062,587
Other disbursements	-	-	-	-	-	-	-	-	189,948
Total disbursements	-	6,540	-	-	-	305,282	3,085	-	3,837,097
Excess (deficiency) of receipts over disbursements	-	860	-	-	-	77,223	665	-	337,267
Cash and investments - ending	\$ 93,414	\$ 13,477	\$ 4,285	\$ 38,887	\$ 261	\$ 107,956	\$ 6,250	\$ 7,581	\$ 3,286,449

TOWN OF CENTERVILLE
 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	Economic Development Operating	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Levy Excess	Cumulative Capital Development	Highway Service F/D
Cash and investments - beginning	\$ 234,552	\$ 30,175	\$ 162,231	\$ 56,751	\$ 6,865	\$ 106,944	\$ 133,562	\$ 2,833	\$ 229,420	\$ 23,597
Receipts:										
Taxes	377,175	22,656	-	-	-	37,955	-	-	7,799	-
Licenses and permits	41,714	-	-	-	1,650	-	-	-	-	-
Intergovernmental	89,707	63,785	23,380	31,548	-	-	-	-	1,079	-
Charges for services	55,630	-	-	-	205	-	-	-	-	561
Other receipts	954	-	-	-	-	-	-	-	-	-
Total receipts	565,180	86,441	23,380	31,548	1,855	37,955	-	-	8,878	561
Disbursements:										
Personal services	329,755	32,068	-	-	-	-	-	-	-	-
Supplies	81,342	16,794	-	-	-	-	-	-	-	-
Other services and charges	241,444	92,680	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-	-
Capital outlay	23,221	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	675,762	141,542	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	(110,582)	(55,101)	23,380	31,548	1,855	37,955	-	-	8,878	561
Cash and investments - ending	\$ 123,970	\$ (24,926)	\$ 185,611	\$ 88,299	\$ 8,720	\$ 144,899	\$ 133,562	\$ 2,833	\$ 238,298	\$ 24,158

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

	Cumulative Cap Imprv (Special Fire)	Cci Cig Tax	Housing	Fire Donation	P/D Grant 154AI04-04-04-01	P/D Grant 154AI05-03-03-63	Water St. Project	P/D Court Returns	Fire Equipment Debt
Cash and investments - beginning	\$ 1,198	\$ 62,997	\$ 44,391	\$ 9,750	\$ 380	\$ 1,500	\$ 23,240	\$ 25,280	\$ 1,726
Receipts:									
Taxes	15,917	-	-	-	-	-	-	-	30,320
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	2,204	6,768	-	-	-	-	-	-	4,200
Charges for services	-	-	-	-	-	-	-	-	-
Other receipts	-	-	62,646	-	-	-	-	909	-
Total receipts	18,121	6,768	62,646	-	-	-	-	909	34,520
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	34,520
Capital outlay	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-	34,520
Excess (deficiency) of receipts over disbursements	18,121	6,768	62,646	-	-	-	-	909	-
Cash and investments - ending	\$ 19,319	\$ 69,765	\$ 107,037	\$ 9,750	\$ 380	\$ 1,500	\$ 23,240	\$ 26,189	\$ 1,726

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

	Gen Oblig Bond 06 Fd	Police	Beautification	Unemployment	Electric Utility-Operating	Electric Utility-Customer Deposit	Storm Water Utility-Operating	Storm Water Util-Bond And Interest	Wastewater Utility-Operating
Cash and investments - beginning	\$ -	\$ 4,475	\$ 638	\$ -	\$ 410,087	\$ 27,240	\$ 238,688	\$ 10,152	\$ 1,165,666
Receipts:									
Taxes	34,520	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Other receipts	-	8,141	-	-	-	-	-	-	-
Total receipts	34,520	8,141	-	-	-	-	-	-	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-	-
Excess (deficiency) of receipts over disbursements	34,520	8,141	-	-	-	-	-	-	-
Cash and investments - ending	\$ 34,520	\$ 12,616	\$ 638	\$ -	\$ 410,087	\$ 27,240	\$ 238,688	\$ 10,152	\$ 1,165,666

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

	Wastewater Util-Bond And Interest	Wastewater Utility-Customer Deposit	Wastewater Utility-Other #1	Wastewater Utility-Other #10	Wastewater Utility-Other #15	Water Utility-Operating	Water Utility-Customer Deposit	Water Utility-Construction	Totals
Cash and investments - beginning	\$ 93,414	\$ 13,477	\$ 4,285	\$ 38,887	\$ 261	\$ 107,956	\$ 6,250	\$ 7,581	\$ 3,286,449
Receipts:									
Taxes	-	-	-	-	-	-	-	-	526,342
Licenses and permits	-	-	-	-	-	-	-	-	43,364
Intergovernmental	-	-	-	-	-	-	-	-	222,671
Charges for services	-	-	-	-	-	-	-	-	56,396
Other receipts	-	-	-	-	-	-	-	-	72,650
Total receipts	-	-	-	-	-	-	-	-	921,423
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	361,823
Supplies	-	-	-	-	-	-	-	-	98,136
Other services and charges	-	-	-	-	-	-	-	-	334,124
Debt service - principal and interest	-	-	-	-	-	-	-	-	34,520
Capital outlay	-	-	-	-	-	-	-	-	23,221
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	-	851,824
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	-	-	69,599
Cash and investments - ending	\$ 93,414	\$ 13,477	\$ 4,285	\$ 38,887	\$ 261	\$ 107,956	\$ 6,250	\$ 7,581	\$ 3,356,048

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	<u>\$ 647,731</u>	<u>\$ 560,757</u>

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

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Governmental activities:			
General obligation bonds	Fire truck	\$ 156,000	\$ 37,750
Revenue bonds	Update water system	641,000	70,536
Revenue bonds	Update wastewater system	2,571,417	220,814
Revenue bonds	Update wastewater system	599,000	49,714
Revenue bonds	Install stormwater system	<u>813,716</u>	<u>95,164</u>
Total governmental activities		<u>4,781,133</u>	<u>473,978</u>
Totals		<u>\$ 4,781,133</u>	<u>\$ 473,978</u>

TOWN OF CENTERVILLE
 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	\$ 21,324,264
Infrastructure	5,919,000
Buildings	2,821,795
Improvements other than buildings	2,012,310
Machinery, equipment, and vehicles	1,485,679
Total governmental activities	33,563,048
Total capital assets	\$ 33,563,048

TOWN OF CENTERVILLE
AUDIT RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Report for 2011 and 2012 was not filed timely with the State Examiner. The 2012 Annual Report was not filed until the field examiner arrived for the audit in May of 2013.

In addition, the Annual Reports for 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Town.

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

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

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for 24 months during the audit period January 1, 2011 to December 31, 2012.

Indiana Code 5-13-6-1(e) states in part: "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."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the all funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

Some of the deficiencies include:

1. Records not being posted.

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)

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient: Not all records had been properly posted, bank account reconciliations had not been prepared.

TOWN OF CENTERVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

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

ERRORS ON CLAIMS

A sample of claims identified the following deficiencies:

All of the claims sampled, 100 percent did not have evidence of board approval or certification by the Clerk-Treasurer. Some claims did not have adequate supporting documentation.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

BOARD MINUTES MISSING

The minutes of the meetings of the governing body were not presented for all meetings. There were 12 meetings held in which minutes were not presented for audit.

Indiana Code 5-14-1.5-4(b) states:

"As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
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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 CENTERVILLE, WAYNE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Centerville'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.

***Basis for Qualified Opinion on Community Development Block Grant/
States Program and Non-Entitlement Grants in Hawaii***

As described in item 2012-4 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

***Opinion on Community Development Block Grant/States
Program and Non-Entitlement Grants in Hawaii***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii for the period of January 1, 2011 to December 31, 2012.

Other Matters

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

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 material weaknesses.

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

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

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 22, 2013

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

Federal Grantor Agency/Pass-Through Entity 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>U.S. Department of Agriculture Forest Service</u>					
Cooperative Forestry Assistance	Indiana Department of Agriculture	10.664			
10-DG-14200004-194			300FR100VFA2010	\$ 4,950	-
12-DG-14200004-089			300FR100VFA2012	-	3,369
				<u>4,950</u>	<u>3,369</u>
Total for program					
<u>U.S. Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster	Office of Community and Rural Affairs	14.228			
Community Development Block Grant/States Program and Non-Entitlement Grants in Hawaii					
Water Plant Improvement			CF-07-502	475,258	-
				<u>475,258</u>	<u>-</u>
<u>U.S. Department of Transportation</u>					
Highway Planning and Construction Cluster	Indiana Department of Transportation	20.205			
Highway Planning and Construction					
Crown Creek Blvd Construction			DES 0400033	34,888	128,868
				<u>34,888</u>	<u>128,868</u>
ARRA - Highway Planning and Construction					
Centerville Road Resurface			DES 091487	43,409	64,820
				<u>43,409</u>	<u>64,820</u>
				<u>78,297</u>	<u>193,688</u>
Total for program					
Total federal awards expended				<u>\$ 558,505</u>	<u>\$ 197,057</u>

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

TOWN OF CENTERVILLE
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 Centerville 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 CENTERVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

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

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

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

"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 I the Department of Health and Human Services.
- (2) For Federal awards received as a sub-recipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide the 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 sub-recipients 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."

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

FINDING 2012-2 - 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. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. 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.
3. The Town did not post its records completely through the end of the audit period. In addition the Town was not preparing monthly bank reconcilements. Other auditing procedures were not able to verify the integrity of the Town's records.

Indiana Code 5-13-6-1(e) states in part: "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."

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 CENTERVILLE
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/STATES PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: U. S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant/States Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): CF-07-502

Pass-Through Entity: Office of Community and Rural Affairs

Management of the Town of Centerville has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some 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; Davis Bacon; Equipment and Real Property Management; and Matching, Level of Effort, and Earmarking. 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. Non-compliance 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 Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Davis Bacon; Equipment and Real Property Management; and Matching, Level of Effort, and Earmarking.

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

FINDING 2012-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/States Program
and Non Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): CF-07-502
Pass-Through Entity: Office of Community and Rural Affairs

The Town did not properly maintain capital asset record. Additions and deletions of capital assets for the audit period had not been posted to the capital asset record therefore the capital asset record was not up to date. In addition no physical inventory of capital assets had been taken in the past two years.

24 CFR 85.32 states in part:

"(d) *Management requirements.* Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

- (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Failure to comply with Equipment and Real Property Management compliance requirements could cause the Town to be ineligible to receive future federal awards.

We recommended that the Town ensure accurate detailed capital asset records are maintained and inventories of property and equipment are conducted at least once every two years and reconciled with detailed capital asset records. Any significant differences should be investigated and appropriate adjustments made to the records. Also, any assets acquired with federal funds must be designated as such so that they are not disposed of improperly.

TOWN OF CENTERVILLE

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August 7, 2013

FINDING 2012-01 – INTERNAL CONTROLS OVER STATEMENT OF EXPENDITURE OF FEDERAL AWARDS

For any Federal Awards, the Town of Centerville is in the process of having proper controls over the preparation of SEFA to ensure accurate reporting of federal awards.

FINDING 2012-02 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The Town of Centerville is in the process of implementing internal controls to 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.

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

For grants of any kind, the Town of Centerville is in the process to make sure to have proper oversight, reviews, and approvals to take place and will have a separation of functions over all activities related to the program. The Town's management will establish controls related to the grant agreement and all compliance requirements that have a direct and material effect to the program.

FINDING 2012-4 – EQUIPMENT AND REAL PROPERTY MANAGEMENT

The town is in the process of establishing an effective system of internal controls to insure compliance with the Equipment and Real Property compliance requirement. Inventories of property and equipment will be conducted at the end of each year to keep the system accurate and up to date.


Janice L. Roberts, Clerk-Treasurer
Town of Centerville

TOWN OF CENTERVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2013, with Janice Roberts, Clerk-Treasurer, and Daniel Wandersee, President of the Town Council. The officials concurred with our audit findings.