

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF OSGOOD
RIPLEY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/24/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-15
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-27
Schedule of Leases and Debt	28
Schedule of Capital Assets	29
Audit Results and Comments: Internal Controls Over Financial Transactions and Reporting	30
Internal Controls Over Preparation of the Schedule of Expenditures of Federal Awards	30
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	32-33
Schedule of Expenditures of Federal Awards	37
Note to Schedule of Expenditures of Federal Awards	38
Schedule of Findings and Questioned Costs	39-41
Auditee Prepared Schedule: Corrective Action Plan	42
Exit Conference	43

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tamara Wilhoit	01-01-09 to 12-31-16
President of the Town Council	Linda Krinop	01-01-11 to 12-31-13
Superintendent of Water Utility	Charles E. Gill	01-01-11 to 12-31-13
Superintendent of Wastewater Utility	Anthony J. Wood	01-01-11 to 12-31-13
Superintendent of Gas Utility	Stephen S. Wilhoit	01-01-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF OSGOOD, RIPLEY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town Of Osgood (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 (Indiana Code 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 (Indiana Code 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 7, 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of 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 7, 2013



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

TO: THE OFFICIALS OF THE TOWN OF OSGOOD, RIPLEY 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 Osgood (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 7, 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 and significant deficiencies.

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 item 2012-2.

Town Of Osgood's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 7, 2013

(This page intentionally left blank.)

FINANCIAL STATEMENT

The financial statement and accompanying notes were approved by management of the Town. The financial statement and notes are presented as intended by the Town.

(This page intentionally left blank.)

TOWN OF OSGOOD
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	\$ 593,398	\$ 419,938	\$ 392,370	\$ 620,966	\$ 448,969	\$ 401,914	\$ 668,021
MVH	10,812	44,496	46,684	8,624	39,611	13,986	34,249
LOCAL ROAD AND STREET	18,870	7,770	11,667	14,973	10,474	3,942	21,505
ECONOMIC DEVELOPMENT	154,406	2,684	-	157,090	1,305	2,500	155,895
LAW ENF CONT ED	2,183	469	1,970	682	1,124	1,067	739
BRINE ACCOUNT	-	3,488	1,041	2,447	3,900	301	6,046
RAINY DAY FUND	65,942	-	-	65,942	-	-	65,942
ECON DEV INCOME TAX (EDIT)	210,515	26,195	3,821	232,889	32,571	7,723	257,737
CUM CAP IMP - CIG TAX	50,509	4,793	500	54,802	4,307	-	59,109
CUM CAP DEV	54,354	12,630	10,629	56,355	47	10,000	46,402
DR2-09-111 STORM WATER	-	523,766	523,766	-	53,291	53,291	-
R.S. REG FND GRANT 1073	-	-	-	-	900,000	900,000	-
REGIONAL REV SHARING FUND	876,552	258,715	203,556	931,711	308,194	193,925	1,045,980
OSGOOD DEV FOUNDATION	350	-	-	350	-	-	350
RIPLEY COUNTY COMM FOUND	152	1,618	1,618	152	35,000	35,115	37
REYNOLDS FOUNDATION GRANT	36,320	584,690	584,690	36,320	97,814	134,134	-
PAYROLL - CLEARING ACCT	8,732	649,937	650,309	8,360	668,609	673,892	3,077
SEWAGE UTL OPERATING	161,383	631,308	610,943	181,748	677,267	703,901	155,114
SEWAGE UTL B & I SINKING	12,761	116,475	105,391	23,845	136,103	129,896	30,052
SEWAGE UTL IMPROVEMENT	1,646	-	-	1,646	-	-	1,646
SEWAGE CONSTRUCTION FUND	1,615	482,320	466,018	17,917	3,019,320	3,013,016	24,221
SEWAGE DEBT SERVICE RESERVE	26,904	285	-	27,189	15,432	-	42,621
WATER UTILITY OPERATING	430,595	888,891	807,956	511,530	905,714	864,317	552,927
WATER UTILITY B & INT	129,371	2,559,308	2,525,505	163,174	884,130	867,104	180,200
WATER DEBT SERVICE RESERVE	198,359	2,479	52,745	148,093	987	-	149,080
WATER UTIL METER DEPOSIT	29,785	8,800	5,205	33,380	8,300	4,925	36,755
WATERWORKS IMP FUND	10,956	-	-	10,956	-	-	10,956
GAS UTILITY OPERATING	557,990	963,005	833,217	687,778	696,089	657,787	726,080
GAS UTILITY DEPRECIATION	285,948	577	-	286,525	137	-	286,662
GAS UTL METER DEPOSIT	47,043	5,500	4,616	47,927	8,400	5,985	50,342
TOTALS	\$ 3,977,451	\$ 8,200,137	\$ 7,844,217	\$ 4,333,371	\$ 8,957,095	\$ 8,678,721	\$ 4,611,745

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

TOWN OF OSGOOD
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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 (Indiana Code 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 may 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 OSGOOD
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: copies of public records, copy machine charges, accident report copies, gun permit applications, and ordinance violations.

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; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may 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.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, 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.

TOWN OF OSGOOD
NOTES TO FINANCIAL STATEMENT
(Continued)

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 (Indiana Code 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 (Indiana Code 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.

TOWN OF OSGOOD
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

(This page intentionally left blank.)

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

	GENERAL	MVH	LOCAL ROAD AND STREET	ECONOMIC DEVELOPMENT	LAW ENF CONT ED	BRINE ACCOUNT	RAINY DAY FUND
Cash and investments - beginning	\$ 593,398	\$ 10,812	\$ 18,870	\$ 154,406	\$ 2,183	\$ -	\$ 65,942
Receipts:							
Taxes	205,974	-	-	-	-	-	-
Licenses and permits	-	-	-	-	250	-	-
Intergovernmental	130,346	44,496	7,770	-	-	-	-
Charges for services	68,235	-	-	-	-	-	-
Fines and forfeits	5,525	-	-	-	219	3,488	-
Utility fees	-	-	-	-	-	-	-
Other receipts	9,858	-	-	2,684	-	-	-
Total receipts	<u>419,938</u>	<u>44,496</u>	<u>7,770</u>	<u>2,684</u>	<u>469</u>	<u>3,488</u>	<u>-</u>
Disbursements:							
Personal services	164,419	-	-	-	-	-	-
Supplies	62,141	8,797	9,983	-	969	1,041	-
Other services and charges	158,790	33,887	-	-	1,001	-	-
Capital outlay	-	4,000	1,684	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,020	-	-	-	-	-	-
Total disbursements	<u>392,370</u>	<u>46,684</u>	<u>11,667</u>	<u>-</u>	<u>1,970</u>	<u>1,041</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>27,568</u>	<u>(2,188)</u>	<u>(3,897)</u>	<u>2,684</u>	<u>(1,501)</u>	<u>2,447</u>	<u>-</u>
Cash and investments - ending	<u>\$ 620,966</u>	<u>\$ 8,624</u>	<u>\$ 14,973</u>	<u>\$ 157,090</u>	<u>\$ 682</u>	<u>\$ 2,447</u>	<u>\$ 65,942</u>

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

	ECON DEV INCOME TAX (EDIT)	CUM CAP IMP- CIG TAX	CUM CAP DEV	DR2-09-111 STORM WATER	R.S. REG FND GRANT 1073	REGIONAL REV SHARING FUND
Cash and investments - beginning	\$ 210,515	\$ 50,509	\$ 54,354	\$ -	\$ -	\$ 876,552
Receipts:						
Taxes	-	-	10,591	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	26,195	4,793	2,039	523,766	-	258,715
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	<u>26,195</u>	<u>4,793</u>	<u>12,630</u>	<u>523,766</u>	<u>-</u>	<u>258,715</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	3,143	-	-	-	-	-
Capital outlay	678	500	10,629	523,766	-	203,556
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>3,821</u>	<u>500</u>	<u>10,629</u>	<u>523,766</u>	<u>-</u>	<u>203,556</u>
Excess (deficiency) of receipts over disbursements	<u>22,374</u>	<u>4,293</u>	<u>2,001</u>	<u>-</u>	<u>-</u>	<u>55,159</u>
Cash and investments - ending	<u>\$ 232,889</u>	<u>\$ 54,802</u>	<u>\$ 56,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 931,711</u>

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

	OSGOOD DEV FOUNDATION	RIPLEY COUNTY COMM FOUND	REYNOLDS FOUNDATION GRANT	PAYROLL- CLEARING ACCT	SEWAGE UTL OPERATING	SEWAGE UTL B & I SINKING
Cash and investments - beginning	\$ 350	\$ 152	\$ 36,320	\$ 8,732	\$ 161,383	\$ 12,761
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,618	584,690	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	604,640	-
Other receipts	-	-	-	649,937	26,668	116,475
Total receipts	-	1,618	584,690	649,937	631,308	116,475
Disbursements:						
Personal services	-	-	-	650,309	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	584,690	-	12,224	-
Utility operating expenses	-	-	-	-	442,873	-
Other disbursements	-	1,618	-	-	155,846	105,391
Total disbursements	-	1,618	584,690	650,309	610,943	105,391
Excess (deficiency) of receipts over disbursements	-	-	-	(372)	20,365	11,084
Cash and investments - ending	\$ 350	\$ 152	\$ 36,320	\$ 8,360	\$ 181,748	\$ 23,845

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

	SEWAGE UTL IMPROVEMENT	SEWAGE CONSTRUCTION FUND	SEWAGE DEBT SERVICE RESERVE	WATER UTILITY OPERATING	WATER UTILITY B & INT	WATER DEBT SERVICE RESERVE
Cash and investments - beginning	\$ 1,646	\$ 1,615	\$ 26,904	\$ 430,595	\$ 129,371	\$ 198,359
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	866,147	-	-
Other receipts	-	482,320	285	22,744	2,559,308	2,479
Total receipts	-	482,320	285	888,891	2,559,308	2,479
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	171,304	-	18,622	2,438,671	-
Utility operating expenses	-	294,714	-	698,877	45,140	-
Other disbursements	-	-	-	90,457	41,694	52,745
Total disbursements	-	466,018	-	807,956	2,525,505	52,745
Excess (deficiency) of receipts over disbursements	-	16,302	285	80,935	33,803	(50,266)
Cash and investments - ending	\$ 1,646	\$ 17,917	\$ 27,189	\$ 511,530	\$ 163,174	\$ 148,093

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

	WATER UTIL METER DEPOSIT	WATERWORKS IMP FUND	GAS UTILITY OPERATING	GAS UTILITY DEPRECIATION	GAS UTL METER DEPOSIT	TOTALS
Cash and investments - beginning	\$ 29,785	\$ 10,956	\$ 557,990	\$ 285,948	\$ 47,043	\$ 3,977,451
Receipts:						
Taxes	-	-	-	-	-	216,565
Licenses and permits	-	-	-	-	-	250
Intergovernmental	-	-	-	-	-	1,584,428
Charges for services	-	-	-	-	-	68,235
Fines and forfeits	-	-	-	-	-	9,232
Utility fees	-	-	904,351	-	-	2,375,138
Other receipts	8,800	-	58,654	577	5,500	3,946,289
Total receipts	8,800	-	963,005	577	5,500	8,200,137
Disbursements:						
Personal services	-	-	-	-	-	814,728
Supplies	-	-	-	-	-	82,931
Other services and charges	-	-	-	-	-	196,821
Capital outlay	-	-	68,602	-	-	4,038,926
Utility operating expenses	-	-	267,551	-	-	1,749,155
Other disbursements	5,205	-	497,064	-	4,616	961,656
Total disbursements	5,205	-	833,217	-	4,616	7,844,217
Excess (deficiency) of receipts over disbursements	3,595	-	129,788	577	884	355,920
Cash and investments - ending	\$ 33,380	\$ 10,956	\$ 687,778	\$ 286,525	\$ 47,927	\$ 4,333,371

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

	GENERAL	MVH	LOCAL ROAD AND STREET	ECONOMIC DEVELOPMENT	LAW ENF CONT ED	BRINE ACCOUNT	RAINY DAY FUND
Cash and investments - beginning	\$ 620,966	\$ 8,624	\$ 14,973	\$ 157,090	\$ 682	\$ 2,447	\$ 65,942
Receipts:							
Taxes	215,906	-	-	-	-	-	-
Licenses and permits	-	-	-	-	740	-	-
Intergovernmental	152,994	39,611	10,340	-	-	-	-
Charges for services	68,930	-	-	-	-	-	-
Fines and forfeits	5,709	-	-	-	384	3,900	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,430	-	134	1,305	-	-	-
Total receipts	<u>448,969</u>	<u>39,611</u>	<u>10,474</u>	<u>1,305</u>	<u>1,124</u>	<u>3,900</u>	<u>-</u>
Disbursements:							
Personal services	125,469	-	-	-	-	-	-
Supplies	58,328	7,186	3,922	-	906	301	-
Other services and charges	209,034	2,882	-	-	161	-	-
Capital outlay	1,464	3,918	20	2,500	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	7,619	-	-	-	-	-	-
Total disbursements	<u>401,914</u>	<u>13,986</u>	<u>3,942</u>	<u>2,500</u>	<u>1,067</u>	<u>301</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>47,055</u>	<u>25,625</u>	<u>6,532</u>	<u>(1,195)</u>	<u>57</u>	<u>3,599</u>	<u>-</u>
Cash and investments - ending	<u>\$ 668,021</u>	<u>\$ 34,249</u>	<u>\$ 21,505</u>	<u>\$ 155,895</u>	<u>\$ 739</u>	<u>\$ 6,046</u>	<u>\$ 65,942</u>

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

	ECON DEV INCOME TAX (EDIT)	CUM CAP IMP- CIG TAX	CUM CAP DEV	DR2-09-111 STORM WATER	R.S. REG FND GRANT 1073	REGIONAL REV SHARING FUND
Cash and investments - beginning	\$ 232,889	\$ 54,802	\$ 56,355	\$ -	\$ -	\$ 931,711
Receipts:						
Taxes	-	-	39	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	32,571	4,307	8	53,291	-	308,194
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	900,000	-
Total receipts	<u>32,571</u>	<u>4,307</u>	<u>47</u>	<u>53,291</u>	<u>900,000</u>	<u>308,194</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	4,142	-	-	-	-	-
Capital outlay	3,581	-	10,000	53,291	900,000	193,925
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>7,723</u>	<u>-</u>	<u>10,000</u>	<u>53,291</u>	<u>900,000</u>	<u>193,925</u>
Excess (deficiency) of receipts over disbursements	<u>24,848</u>	<u>4,307</u>	<u>(9,953)</u>	<u>-</u>	<u>-</u>	<u>114,269</u>
Cash and investments - ending	<u>\$ 257,737</u>	<u>\$ 59,109</u>	<u>\$ 46,402</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,045,980</u>

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

	OSGOOD DEV FOUNDATION	RIPLEY COUNTY COMM FOUND	REYNOLDS FOUNDATION GRANT	PAYROLL- CLEARING ACCT	SEWAGE UTL OPERATING	SEWAGE UTL B & I SINKING
Cash and investments - beginning	\$ 350	\$ 152	\$ 36,320	\$ 8,360	\$ 181,748	\$ 23,845
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	607,203	-
Other receipts	-	35,000	97,814	668,609	70,064	136,103
Total receipts	<u>-</u>	<u>35,000</u>	<u>97,814</u>	<u>668,609</u>	<u>677,267</u>	<u>136,103</u>
Disbursements:						
Personal services	-	-	-	543,227	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	134,134	-	114,436	-
Utility operating expenses	-	-	-	-	453,765	-
Other disbursements	-	35,115	-	130,665	135,700	129,896
Total disbursements	<u>-</u>	<u>35,115</u>	<u>134,134</u>	<u>673,892</u>	<u>703,901</u>	<u>129,896</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(115)</u>	<u>(36,320)</u>	<u>(5,283)</u>	<u>(26,634)</u>	<u>6,207</u>
Cash and investments - ending	<u>\$ 350</u>	<u>\$ 37</u>	<u>\$ -</u>	<u>\$ 3,077</u>	<u>\$ 155,114</u>	<u>\$ 30,052</u>

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

	SEWAGE UTL IMPROVEMENT	SEWAGE CONSTRUCTION FUND	SEWAGE DEBT SERVICE RESERVE	WATER UTILITY OPERATING	WATER UTILITY B & INT	WATER DEBT SERVICE RESERVE
Cash and investments - beginning	\$ 1,646	\$ 17,917	\$ 27,189	\$ 511,530	\$ 163,174	\$ 148,093
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	36,320	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	895,213	-	-
Other receipts	-	2,983,000	15,432	10,501	884,130	987
Total receipts	-	3,019,320	15,432	905,714	884,130	987
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	2,722,180	-	8,465	757,758	-
Utility operating expenses	-	290,836	-	727,752	25	-
Other disbursements	-	-	-	128,100	109,321	-
Total disbursements	-	3,013,016	-	864,317	867,104	-
Excess (deficiency) of receipts over disbursements	-	6,304	15,432	41,397	17,026	987
Cash and investments - ending	\$ 1,646	\$ 24,221	\$ 42,621	\$ 552,927	\$ 180,200	\$ 149,080

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

	WATER UTIL METER DEPOSIT	WATERWORKS IMP FUND	GAS UTLILITY OPERATING	GAS UTILITY DEPRECIATION	GAS UTL METER DEPOSIT	TOTALS
Cash and investments - beginning	\$ 33,380	\$ 10,956	\$ 687,778	\$ 286,525	\$ 47,927	\$ 4,333,371
Receipts:						
Taxes	-	-	-	-	-	215,945
Licenses and permits	-	-	-	-	-	740
Intergovernmental	-	-	-	-	-	637,636
Charges for services	-	-	-	-	-	68,930
Fines and forfeits	-	-	-	-	-	9,993
Utility fees	-	-	688,808	-	-	2,191,224
Other receipts	8,300	-	7,281	137	8,400	5,832,627
Total receipts	<u>8,300</u>	<u>-</u>	<u>696,089</u>	<u>137</u>	<u>8,400</u>	<u>8,957,095</u>
Disbursements:						
Personal services	-	-	-	-	-	668,696
Supplies	-	-	-	-	-	70,643
Other services and charges	-	-	-	-	-	216,219
Capital outlay	-	-	16,669	-	-	4,922,341
Utility operating expenses	-	-	641,118	-	-	2,113,496
Other disbursements	4,925	-	-	-	5,985	687,326
Total disbursements	<u>4,925</u>	<u>-</u>	<u>657,787</u>	<u>-</u>	<u>5,985</u>	<u>8,678,721</u>
Excess (deficiency) of receipts over disbursements	<u>3,375</u>	<u>-</u>	<u>38,302</u>	<u>137</u>	<u>2,415</u>	<u>278,374</u>
Cash and investments - ending	<u>\$ 36,755</u>	<u>\$ 10,956</u>	<u>\$ 726,080</u>	<u>\$ 286,662</u>	<u>\$ 50,342</u>	<u>\$ 4,611,745</u>

TOWN OF OSGOOD
 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	Osgood Municipal Sewage Works of 2011	\$ 1,406,000	\$ 55,870
Revenue bonds	Osgood Municipal Sewage Works of 1996	<u>1,181,000</u>	<u>79,975</u>
Total Wastewater		<u>2,587,000</u>	<u>135,845</u>
Water:			
Revenue bonds	Osgood Municipal Water Utility Series B	128,000	5,795
Revenue bonds	Osgood Municipal Water Utility Series A	<u>2,338,000</u>	<u>103,375</u>
Total Water		<u>2,466,000</u>	<u>109,170</u>
Totals		<u>\$ 5,053,000</u>	<u>\$ 245,015</u>

TOWN OF OSGOOD
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	\$ 576,300
Infrastructure	3,929,110
Buildings	471,324
Machinery, equipment, and vehicles	253,325
Total governmental activities	5,230,059
Wastewater:	
Land	6,059
Infrastructure	903,000
Buildings	914,903
Machinery, equipment, and vehicles	151,893
Total Wastewater	1,975,855
Water:	
Land	145,000
Infrastructure	1,287,249
Buildings	1,066,469
Machinery, equipment, and vehicles	3,396,069
Total Water	5,894,787
Gas:	
Infrastructure	406,421
Buildings	55,633
Machinery, equipment, and vehicles	151,759
Total Gas	613,813
Total capital assets	\$ 13,714,514

TOWN OF OSGOOD
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING
(Applies to Clerk-Treasurer)***

We noted a deficiency in the internal control system of the Town of Osgood related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

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.

Tamara Wilhoit, Clerk-Treasurer, stated that the lack of segregation of duties is due to the Clerk-Treasurer's office having a small number of staff members.

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)

***INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS (Applies to Clerk-Treasurer)***

The Town of Osgood 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 of Osgood should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: items were included on the SEFA that were not federal assistance; instances of federal assistance omitted from the SEFA; and federal assistance not reported in the correct amounts. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF OSGOOD, RIPLEY COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town Of Osgood'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 each of its major federal programs for the period of January 1, 2011 to December 31, 2012. The Town's major federal programs are 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 each of the Town's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Bruce Hartman
State Examiner

August 7, 2013

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

(This page intentionally left blank.)

TOWN OF OSGOOD
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	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</u>				
Direct grant				
Water and Waste Program Cluster				
Water and Waste Disposal Systems for Rural Communities	10.760			
Sewer Improvement Project Grant		2011-2012	\$ 446,000	\$ 1,108,000
Sewer Improvement Project Loan		2011-2012	-	1,275,000
Total for program			<u>446,000</u>	<u>2,383,000</u>
ARRA - Water and Waste Disposal Systems for Rural Communities				
Water Improvement Project	10.781	IN-702-91-04	729,000	-
Water Improvement Project		IN-702-91-03	1,745,000	755,000
Total for program			<u>2,474,000</u>	<u>755,000</u>
Total for cluster			<u>2,920,000</u>	<u>3,138,000</u>
Total for federal grantor agency			<u>2,920,000</u>	<u>3,138,000</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Lt. Governor				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			
Disaster Recovery Assistance Grant		EDS# A192-11-DR2-09-111	523,766	53,291
Sewer System Improvement Grant		EDS# A192-11-CF-10-214	-	600,000
Total for cluster			<u>523,766</u>	<u>653,291</u>
Total for federal grantor agency			<u>523,766</u>	<u>653,291</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Department of Natural Resources				
Highway Planning and Construction Cluster				
Recreational Trails Program	20.219			
		300OR1RTLOC2010	-	56,621
		300OR1RT1000600	-	66,186
Total for program			<u>-</u>	<u>122,807</u>
Total for cluster			<u>-</u>	<u>122,807</u>
Total for federal grantor agency			<u>-</u>	<u>122,807</u>
Total federal awards expended			<u>\$ 3,443,766</u>	<u>\$ 3,914,098</u>

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

TOWN OF OSGOOD
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 Osgood 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 (Indiana Code 5-11-1 et seq.), audits of cities and towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

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

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

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

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

The Town of Osgood did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: items were included on the SEFA that were not federal assistance; instances of federal assistance omitted from the SEFA; and federal assistance not reported in the correct amounts. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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

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

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

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

"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:

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

- (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."

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.



PHONE: (812) 689-4240

FAX: (812) 689-5448

TOWN OF OSGOOD
147 W. RIPLEY STREET
OSGOOD, INDIANA 47037-1228

August 7, 2013

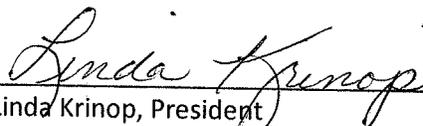
State Board of Accounts
RE: Financial Statement Findings

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

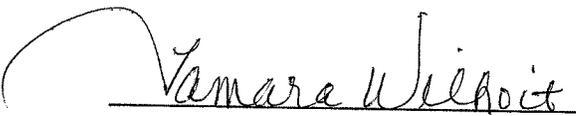
The Town of Osgood is a small community with limited budgeting. We have two employees that work in the office. We will try to segregate the duties better with the employees that we have, by December 31, 2013.

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

The Town of Osgood will have the Council President or a Council Member review the SEFA report before submitting it. This will be done by the next reporting period.



Linda Krinop, President



Tamara Wilhoit, Clerk-Treasurer

Contact Person: Tamara Wilhoit, Clerk-Treasurer
812-689-4240

TOWN OF OSGOOD
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2013, with Tamara Wilhoit, Clerk-Treasurer, and Linda Krinop, President of the Town Council. The officials concurred with our audit findings.