

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NORTH JUDSON
STARKE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
10/28/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Miller Donna M. Henry	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Dan Anderson Wendy Hoppe	01-01-11 to 12-31-11 01-01-12 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NORTH JUDSON, STARKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of North Judson (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 3, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Other Information

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and, accordingly, we express no opinion on it.



Bruce Hartman
State Examiner

October 3, 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 NORTH JUDSON, STARKE 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 North Judson (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 October 3, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1.

Town of North Judson's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying Official Response and 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

October 3, 2013

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FINANCIAL STATEMENT

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

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TOWN OF NORTH JUDSON
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	\$ 516,745	\$ 580,961	\$ 550,378	\$ 547,328	\$ 651,372	\$ 517,803	\$ 680,897
Motor Vehicle Highway	85,275	89,039	104,084	70,230	94,335	71,689	92,876
Local Road And Street	52,020	8,851	25,000	35,871	13,239	3,790	45,320
Law Enforcement Continuing Ed	3,078	1,057	2,125	2,010	4,355	1,947	4,418
Unsafe Building	3,156	-	-	3,156	-	-	3,156
Park	21,160	22,607	21,947	21,820	17,890	20,246	19,464
Rainy Day	141,366	-	-	141,366	-	-	141,366
Levy Excess	948	-	948	-	3,345	-	3,345
Cumulative Capital Development	42,104	6,771	11,000	37,875	7,076	325	44,626
FIREHOUSE FUND	-	-	-	-	718	-	718
OCRA GRANT-HWY 39 SEWER	-	686,826	686,801	25	25,643	25,617	51
Edit	142,756	189,626	220,161	112,221	101,879	-	214,100
Cumulative Capital Improvement	2,551	4,810	3,758	3,603	4,700	-	8,303
OCRA GRANT-HWY 39 RETAIN	-	30,566	-	30,566	1,301	31,851	16
Police Public Donation	490	-	329	161	50	-	211
Rr Capital Improve/Maint	56,789	75,020	95,962	35,847	73,949	58,244	51,552
Payroll	799	525,967	526,766	-	532,949	531,410	1,539
Utility Clearance	-	861,463	861,463	-	869,485	869,485	-
OLD SEWER ACCT	-	7,529	7,529	-	-	-	-
Wastewater Utility-Operating	135,294	1,706,367	1,726,273	115,388	509,148	552,073	72,463
Wastewater Util-Bond And Interest	112,131	208,371	205,926	114,576	173,585	166,651	121,510
Wastewater Utility-Customer Deposit	18,340	5,925	3,100	21,165	5,200	3,030	23,335
Wastewater Utility-Debt Reserve	215,964	54,560	58,974	211,550	98,946	128,290	182,206
OLD WATER/TRANSFER OF FUNDS	-	4,134	4,134	-	-	-	-
Water Utility-Operating	46,713	967,373	987,482	26,604	277,952	291,221	13,335
Water Utility-Bond And Interest	11,095	32,974	33,269	10,800	32,465	6,194	37,071
Water Utility-Depreciation/Improve	101,089	22,070	16,499	106,660	22,347	4,407	124,600
Water Utility-Customer Deposit	43,562	7,014	8,056	42,520	5,050	4,395	43,175
Water Utility-Debt Reserve	33,268	-	-	33,268	-	-	33,268
Totals	\$ 1,786,693	\$ 6,099,881	\$ 6,161,964	\$ 1,724,610	\$ 3,526,979	\$ 3,288,668	\$ 1,962,921

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

TOWN OF NORTH JUDSON
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 Indiana 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. The basis of accounting involves the reporting of only cash investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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.

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

TOWN OF NORTH JUDSON
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which is referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF NORTH JUDSON
 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	Law Enforcement Continuing Ed	Unsafe Building	Park	Rainy Day	Levy Excess	Cumulative Capital Development	FIREHOUSE FUND
Cash and investments - beginning	\$ 516,745	\$ 85,275	\$ 52,020	\$ 3,078	\$ 3,156	\$ 21,160	\$ 141,366	\$ 948	\$ 42,104	\$ -
Receipts:										
Taxes	308,060	42,699	-	-	-	17,658	-	-	5,932	-
Licenses and permits	15,610	-	-	-	-	-	-	-	-	-
Intergovernmental	112,654	45,740	8,851	-	-	2,496	-	-	839	-
Charges for services	122,952	600	-	1,007	-	1,900	-	-	-	-
Fines and forfeits	4,275	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-	-
Other receipts	17,410	-	-	50	-	553	-	-	-	-
Total receipts	580,961	89,039	8,851	1,057	-	22,607	-	-	6,771	-
Disbursements:										
Personal services	238,601	32,370	-	-	-	10,756	-	-	-	-
Supplies	5,119	18,846	-	-	-	3,218	-	-	-	-
Other services and charges	275,586	-	-	-	-	1,541	-	-	-	-
Capital outlay	18,254	52,868	25,000	-	-	6,432	-	-	11,000	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	12,818	-	-	2,125	-	-	-	948	-	-
Total disbursements	550,378	104,084	25,000	2,125	-	21,947	-	948	11,000	-
Excess (deficiency) of receipts over disbursements	30,583	(15,045)	(16,149)	(1,068)	-	660	-	(948)	(4,229)	-
Cash and investments - ending	\$ 547,328	\$ 70,230	\$ 35,871	\$ 2,010	\$ 3,156	\$ 21,820	\$ 141,366	\$ -	\$ 37,875	\$ -

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

	OCRA GRANT-HWY 39 SEWER	Edit	Cumulative Capital Improvement	OCRA GRANT-HWY 39 RETAIN	Police Public Donation	Rr Capital Improve/Maint	Payroll	Utility Clearance	OLD SEWER ACCT	Wastewater Utility-Operating
Cash and investments - beginning	\$ -	\$ 142,756	\$ 2,551	\$ -	\$ 490	\$ 56,789	\$ 799	\$ -	\$ -	\$ 135,294
Receipts:										
Taxes	-	-	-	-	-	-	105,935	16,140	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	-	86,569	4,810	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	74,630	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	487,182
Penalties	-	-	-	-	-	-	-	-	-	10,440
Other receipts	686,826	103,057	-	30,566	-	390	420,032	845,323	7,529	1,208,745
Total receipts	686,826	189,626	4,810	30,566	-	75,020	525,967	861,463	7,529	1,706,367
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	-
Supplies	-	33,198	-	-	-	-	-	-	-	-
Other services and charges	-	82,498	-	-	-	7,790	-	-	-	-
Capital outlay	-	104,465	3,758	-	-	87,475	-	-	-	9,337
Utility operating expenses	-	-	-	-	-	-	-	-	-	287,183
Other disbursements	686,801	-	-	-	329	697	526,766	861,463	7,529	1,429,753
Total disbursements	686,801	220,161	3,758	-	329	95,962	526,766	861,463	7,529	1,726,273
Excess (deficiency) of receipts over disbursements	25	(30,535)	1,052	30,566	(329)	(20,942)	(799)	-	-	(19,906)
Cash and investments - ending	\$ 25	\$ 112,221	\$ 3,603	\$ 30,566	\$ 161	\$ 35,847	\$ -	\$ -	\$ -	\$ 115,388

TOWN OF NORTH JUDSON
 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-Debt Reserve	OLD WATER/TRANSFER OF FUNDS	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 112,131	\$ 18,340	\$ 215,964	\$ -	\$ 46,713	\$ 11,095	\$ 101,089	\$ 43,562	\$ 33,268	\$ 1,786,693
Receipts:										
Taxes	-	-	-	-	16,087	-	-	-	-	512,511
Licenses and permits	-	-	-	-	-	-	-	-	-	15,610
Intergovernmental	-	-	-	-	-	-	-	-	-	261,959
Charges for services	-	-	-	-	-	-	-	-	-	201,089
Fines and forfeits	-	-	-	-	-	-	-	-	-	4,275
Utility fees	-	5,925	-	14	255,000	-	-	-	-	748,121
Penalties	-	-	-	-	2,364	-	-	-	-	12,804
Other receipts	208,371	-	54,560	4,120	693,922	32,974	22,070	7,014	-	4,343,512
Total receipts	208,371	5,925	54,560	4,134	967,373	32,974	22,070	7,014	-	6,099,881
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	281,727
Supplies	-	-	-	-	-	-	-	-	-	60,381
Other services and charges	-	-	-	-	-	-	-	-	-	367,415
Capital outlay	-	-	-	-	21,072	-	-	-	-	339,661
Utility operating expenses	-	-	-	-	203,801	-	-	-	-	490,984
Other disbursements	205,926	3,100	58,974	4,134	762,609	33,269	16,499	8,056	-	4,621,796
Total disbursements	205,926	3,100	58,974	4,134	987,482	33,269	16,499	8,056	-	6,161,964
Excess (deficiency) of receipts over disbursements	2,445	2,825	(4,414)	-	(20,109)	(295)	5,571	(1,042)	-	(62,083)
Cash and investments - ending	\$ 114,576	\$ 21,165	\$ 211,550	\$ -	\$ 26,604	\$ 10,800	\$ 106,660	\$ 42,520	\$ 33,268	\$ 1,724,610

TOWN OF NORTH JUDSON
 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	Law Enforcement Continuing Ed	Unsafe Building	Park	Rainy Day	Levy Excess	Cumulative Capital Development	FIREHOUSE FUND
Cash and investments - beginning	\$ 547,328	\$ 70,230	\$ 35,871	\$ 2,010	\$ 3,156	\$ 21,820	\$ 141,366	\$ -	\$ 37,875	\$ -
Receipts:										
Taxes	341,082	47,120	-	-	-	14,136	-	3,345	5,973	-
Licenses and permits	21,672	-	-	-	-	-	-	-	-	-
Intergovernmental	121,705	46,482	13,239	-	-	1,854	-	-	778	-
Charges for services	148,619	733	-	3,094	-	1,900	-	-	-	-
Fines and forfeits	5,427	-	-	239	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	-
Other receipts	12,867	-	-	1,022	-	-	-	-	325	718
Total receipts	651,372	94,335	13,239	4,355	-	17,890	-	3,345	7,076	718
Disbursements:										
Personal services	230,413	20,235	-	-	-	9,057	-	-	-	-
Supplies	25,493	15,674	-	-	-	512	-	-	-	-
Other services and charges	256,229	4,175	-	1,947	-	6,483	-	-	-	-
Capital outlay	5,668	31,605	3,790	-	-	4,194	-	-	325	-
Utility operating expenses	-	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-	-
Total disbursements	517,803	71,689	3,790	1,947	-	20,246	-	-	325	-
Excess (deficiency) of receipts over disbursements	133,569	22,646	9,449	2,408	-	(2,356)	-	3,345	6,751	718
Cash and investments - ending	\$ 680,897	\$ 92,876	\$ 45,320	\$ 4,418	\$ 3,156	\$ 19,464	\$ 141,366	\$ 3,345	\$ 44,626	\$ 718

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

	OCRA GRANT-HWY 39 SEWER	Edit	Cumulative Capital Improvement	OCRA GRANT-HWY 39 RETAIN	Police Public Donation	Rr Capital Improve/Maint	Payroll	Utility Clearance	OLD SEWER ACCT	Wastewater Utility-Operating
Cash and investments - beginning	\$ 25	\$ 112,221	\$ 3,603	\$ 30,566	\$ 161	\$ 35,847	\$ -	\$ -	\$ -	\$ 115,388
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Intergovernmental	25,017	101,879	4,700	1,267	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-	504,836
Other receipts	626	-	-	34	50	73,949	532,949	869,485	-	4,312
Total receipts	25,643	101,879	4,700	1,301	50	73,949	532,949	869,485	-	509,148
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	26,077	-	-	-	-
Capital outlay	25,017	-	-	31,851	-	32,167	-	-	-	8,083
Utility operating expenses	-	-	-	-	-	-	-	-	-	128,224
Other disbursements	600	-	-	-	-	-	531,410	869,485	-	415,766
Total disbursements	25,617	-	-	31,851	-	58,244	531,410	869,485	-	552,073
Excess (deficiency) of receipts over disbursements	26	101,879	4,700	(30,550)	50	15,705	1,539	-	-	(42,925)
Cash and investments - ending	\$ 51	\$ 214,100	\$ 8,303	\$ 16	\$ 211	\$ 51,552	\$ 1,539	\$ -	\$ -	\$ 72,463

TOWN OF NORTH JUDSON
 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-Debt Reserve	OLD WATER/TRANSFER OF FUNDS	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 114,576	\$ 21,165	\$ 211,550	\$ -	\$ 26,604	\$ 10,800	\$ 106,660	\$ 42,520	\$ 33,268	\$ 1,724,610
Receipts:										
Taxes	-	-	-	-	-	-	-	-	-	411,656
Licenses and permits	-	-	-	-	-	-	-	-	-	21,672
Intergovernmental	-	-	-	-	-	-	-	-	-	316,921
Charges for services	-	-	-	-	-	-	-	-	-	154,346
Fines and forfeits	-	-	-	-	-	-	-	-	-	5,666
Utility fees	-	-	-	-	2,296	-	-	-	-	507,132
Other receipts	173,585	5,200	98,946	-	275,656	32,465	22,347	5,050	-	2,109,586
Total receipts	173,585	5,200	98,946	-	277,952	32,465	22,347	5,050	-	3,526,979
Disbursements:										
Personal services	-	-	-	-	-	-	-	-	-	259,705
Supplies	-	-	-	-	-	-	-	-	-	41,679
Other services and charges	-	-	-	-	-	-	-	-	-	294,911
Capital outlay	-	-	-	-	22,830	-	-	-	-	165,530
Utility operating expenses	-	-	-	-	118,489	-	-	-	-	246,713
Other disbursements	166,651	3,030	128,290	-	149,902	6,194	4,407	4,395	-	2,280,130
Total disbursements	166,651	3,030	128,290	-	291,221	6,194	4,407	4,395	-	3,288,668
Excess (deficiency) of receipts over disbursements	6,934	2,170	(29,344)	-	(13,269)	26,271	17,940	655	-	238,311
Cash and investments - ending	\$ 121,510	\$ 23,335	\$ 182,206	\$ -	\$ 13,335	\$ 37,071	\$ 124,600	\$ 43,175	\$ 33,268	\$ 1,962,921

TOWN OF NORTH JUDSON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	\$ 1,466	\$ 30,318
Water	1,923	2,732
Governmental activities	7,512	2,459
Totals	\$ 10,901	\$ 35,509

TOWN OF NORTH JUDSON
 SCHEDULE OF LEASES AND DEBT
 December 31, 2012

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Purchase dump truck	\$ 40,715	\$ 21,836
Notes and loans payable	Purchase Jet-Vac	<u>227,796</u>	<u>250,842</u>
Total governmental activities		<u>268,511</u>	<u>272,678</u>
Wastewater:			
Revenue bonds	Sewer Bond	<u>1,790,000</u>	<u>205,038</u>
Water:			
Revenue bonds	Water Bond	<u>265,000</u>	<u>31,528</u>
Totals		<u>\$ 2,323,511</u>	<u>\$ 509,244</u>

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TOWN OF NORTH JUDSON
 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	\$ 668,061
Infrastructure	621,015
Buildings	752,124
Improvements other than buildings	1,621,366
Machinery, equipment, and vehicles	1,157,386
Total governmental activities	4,819,952
Wastewater:	
Land	36,359
Infrastructure	2,205,010
Buildings	2,220,000
Improvements other than buildings	472,680
Machinery, equipment, and vehicles	316,146
Total Wastewater	5,250,195
Water:	
Land	216
Infrastructure	2,734,239
Buildings	474,000
Improvements other than buildings	307,000
Machinery, equipment, and vehicles	228,891
Total Water	3,744,346
Total capital assets	\$ 13,814,493

TOWN OF NORTH JUDSON
AUDIT RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were conducted; however, the reconciliations did not balance. Each 2012 monthly reconciliation showed a variance between the fund balance and the reconciled bank balance, ranging from \$975 long for November to \$2,072 cash necessary to balance for December. For January 31, 2013, the reconciliation showed \$2,852 cash necessary to balance. Monthly reconciliations through June 30, 2013, showed the same variance.

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

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7

FUND SOURCES AND USES - WASTEWATER DEBT SERVICE RESERVE FUND

During 2011, the Town paid \$7,257 from the Wastewater Debt Service Reserve Fund for pump repairs. During 2012, the Town paid the following from the Wastewater Debt Service Reserve Fund: \$26,199 for water utility debt and \$38,886 for wastewater utility debt. Also, during 2012, \$34,718 in funds transferred from the Wastewater Operating Fund to the Wastewater Bond and Interest Fund were erroneously posted to the Wastewater Debt Service Reserve Fund.

The bond ordinance that required the establishment of the Wastewater Debt Service Reserve Fund shows that this fund is created as a debt reserve fund to be used when the Bond and Interest Fund has insufficient funds to meet current debt requirements. The Wastewater Bond and Interest Fund had a \$121,510 cash and investment balance as of December 31, 2012.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING - SEFA

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). Proper controls in place over the preparation of the SEFA would help 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.

The Town's SEFA for the years ended December 31, 2011 and 2012, included the following errors: 1) a program with \$31,246 expenditures during 2011 was omitted from the SEFA and 2) the lone reported program showed the incorrect CFDA number. 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 statement.

TOWN OF NORTH JUDSON
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.

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 FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

In our sample test of payrolls, we found that the October 5, 2012, October 12, 2012, and October 18, 2012 paychecks were not listed on the accounts payable voucher register and were not approved by the Town Council. Paychecks dated October 15, October 19, and October 25 were listed and approved. We expanded our test to include the pay dates during September 2012. The September 21 and September 28 paychecks were listed and approved, but the September 7 and September 14 paychecks were not listed or approved. We reviewed a number of more current paychecks and found that all had been listed and approved by the Town Council.

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

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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 NORTH JUDSON, STARKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of North Judson'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 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 its major federal program for the period of January 1, 2011 to December 31, 2012.

Other Matters

The Town's response to our audit is described in the accompanying Official Response. 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)

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the 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 types 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 Town's response to our audit is described in the accompanying Official Response. The Town's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Bruce Hartman
State Examiner

October 3, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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TOWN OF NORTH JUDSON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2011 And 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii State Rd. 39 Sewer	Indiana Office of Community & Rural Affairs	14.228	DR2-09-193	\$ 686,201	\$ 25,017
<u>Department of Energy</u>					
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Indiana Office of Energy Development	81.128		31,246	-
Total federal awards expended				<u>\$ 717,447</u>	<u>\$ 25,017</u>

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

TOWN OF NORTH JUDSON
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 North Judson (Town) 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 NORTH JUDSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major program:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	no

Identification of Major Program:

_____ Name of Federal Program or Cluster _____
CDBG-State Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

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

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). Proper controls in place over the preparation of the SEFA would help 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.

The Town's SEFA for the years ended December 31, 2011 and 2012 included the following errors: 1) a program with \$31,246 expenditures during 2011 was omitted from the SEFA and 2) the lone reported program showed the incorrect CFDA number. 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 statement.

TOWN OF NORTH JUDSON
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)

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 NORTH JUDSON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2012 - 2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts and disbursements. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. Monitoring of Controls: Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner.

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)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

INCORPORATED TOWN OF
NORTH TOWSON
INDIANA 46366



September 26, 2013

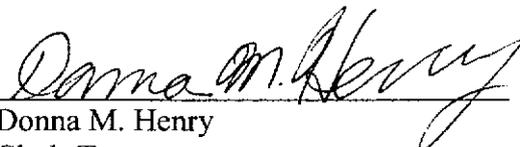
CORRECTIVE ACTION PLAN

FINDING 2012 – 1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

In order to strengthen the internal controls over the preparation of the financial statements specifically the Schedule of Federal Expenditures, we agree to obtain a better understanding of what information is to be reported on the Schedule of Federal Expenditures, including CFDA numbers, official grant titles, and grant award amounts, to ensure accuracy and completeness.

FINDING 2012 – 2 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

In order to improve the segregation of duties, thereby strengthening internal controls, effective with September, 2013 bank reconciliation, the Clerk-Treasurer will provide, to the Town Council members for their review, copies of the Deposit Statement and Cash Reconciliation from the Keystone Budget System, the first page of the actual bank statement, and the corresponding Fund Report. In addition, the Clerk-Treasurer has provided monthly financial reports (appropriation, revenue, and fund) to the Town Council members and will continue to do so.



Donna M. Henry
Clerk-Treasurer

TOWN OF NORTH JUDSON
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2013, with Donna M. Henry, Clerk-Treasurer, and with Wendy Hoppe, President of the Town Council. The Official Response has been made a part of this report and may be found on pages 44 through 46.

INCORPORATED TOWN OF
NORTH JUDSON
INDIANA 46366

October 8, 2013

State Board of Accounts
302 West Washington St.
Room E 418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

State Board of Accounts:

This is in response to the Town of North Judson 2011/2012 Audit performed by the State Board of Accounts.

Finding 2012 – 1 – INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – SEFA (Schedule of Expenditures of Federal Awards)

I have submitted a corrective action plan to the State Board of Accounts which indicates the following: in order to strengthen the internal controls over the preparation of the financial statements specifically the Schedule of Federal Expenditures, we agree to obtain a better understanding of what information is to be reported on the Schedule of Federal Expenditures, including CFDA numbers, official grant titles, and grant award amounts, to ensure accuracy and completeness.

Finding 2012 – 2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING – Lack of Segregation of Duties and Monitoring of Controls

Since I took office in January, 2012, I have provided Council members with monthly financial reports (appropriation, revenue, and fund reports) for their review. Also, Account Payable Vouchers are presented to Council members at each Council regular meeting including the supporting invoices for their review and approval. These reports provide a good representation of the disbursement and revenue activities of both the Clerk-Treasurer and Billing offices. I will continue to provide these reports to Council members.

I appreciate very much the direction and guidance provided by State Board of Accounts. I will endeavor to perform my duties and responsibilities in accordance with State Board of Accounts guidelines.

Sincerely,

A handwritten signature in cursive script that reads "Donna M. Henry". The signature is written in black ink and is positioned above the printed name.

Donna M. Henry
Clerk-Treasurer
Inc. Town of North Judson

INCORPORATED TOWN OF
NORTH JUDSON
INDIANA 46366

October 8, 2013

State Board of Accounts
302 West Washington St.
Room E 418
Indianapolis, IN 46204-2765

OFFICIAL RESPONSE

State Board of Accounts:

This is in response to the Town of North Judson 2011/2012 Audit performed by the State Board of Accounts.

Bank Reconciliations – I have submitted a corrective action plan to State Board of Accounts which indicates, in order to improve the segregation of duties, thereby strengthening internal controls, effective with September, 2013 bank reconciliation, the Clerk-Treasurer will provide, to the Town Council members for their review, copies of the Deposit Statement and Cash Reconciliation from the Keystone Budget System, the first page of the actual bank statement, and the corresponding Fund Report. I plan to devote time to reviewing the bank reconciliations with the variances in order to find the balancing differences.

Fund Sources and Uses – Wastewater Debt Service Reserve Fund – Most of the 2012 entries were made during the first several months after I took office during the time frame when I was learning the entire process of the Clerk-Treasurer's tasks and responsibilities. Appropriate entries will be entered to correct the transactions noted in the audit report. I have prepared a specific chart for the monthly transfer transactions as well as the bond and loan payments which includes both the appropriation and revenue account numbers to be used. This chart will assist me in the future in entering the correct transactions, and I will endeavor to do so.

I appreciate very much the direction and guidance provided by State Board of Accounts. I will endeavor to perform my duties and responsibilities in accordance with State Board of Accounts guidelines.

Sincerely,



Donna M. Henry
Clerk-Treasurer
Inc. Town of North Judson