

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

FINANCIAL STATEMENTS AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MOORES HILL  
DEARBORN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
12/13/2013



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report .....	3-4
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Financial Statements: Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis .....	8-9
Notes to Financial Statements .....	10-13
Supplementary Information - Unaudited: Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis .....	16-18
Schedule of Payables and Receivables .....	19
Schedule of Leases and Debt .....	20
Schedule of Capital Assets.....	21
Audit Results and Comments: Annual Report.....	22
Certified Report Not Filed .....	22
Appropriations.....	22
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance.....	24-26
Schedule of Expenditures of Federal Awards .....	28
Note to Schedule of Expenditures of Federal Awards.....	29
Schedule of Findings and Questioned Costs .....	30-36
Auditee Prepared Schedule: Corrective Action Plan.....	37-39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Renee Hall (Vacant) Guinevere Emery	01-01-10 to 04-18-11 04-19-11 to 05-02-11 05-03-11 to 12-31-15
President of the Town Council	Paul Grimsley Lanny Dell	01-01-10 to 12-31-11 01-01-12 to 12-31-13
Superintendent of Wastewater Utility	Paul Grimsley	01-01-10 to 12-31-13



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOORES HILL, DEARBORN COUNTY, INDIANA

***Report on the Financial Statements***

We were engaged to audit the accompanying financial statements of the Town of Moores Hill (Town), for the period of January 1, 2010 to December 31, 2011.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the *Basis for Disclaimer of Opinion* paragraph; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

***Basis for Disclaimer of Opinion***

Records and supporting documentation consisting of minutes of board meetings; bank statements; accounts payable vouchers; and bank reconciliements were not presented for audit or were only partially presented. Based on the lack of sufficient evidential matter, we were unable to provide an audit opinion.

***Disclaimer of Opinion***

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated October 23, 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

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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 statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* paragraph and because federal grant monies were not accurately and separately identified in the financial ledgers, it is inappropriate to and we do not express an opinion on the Schedule of Expenditures of Federal Awards referred to above.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. 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 statements. They have not been subjected to any auditing procedures and, accordingly, we express no opinion on them.

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2013



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

TO: THE OFFICIALS OF THE TOWN OF MOORES HILL, DEARBORN COUNTY, INDIANA

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Town of Moores Hill (Town), which comprises the financial position of the Town on December 31, 2011, and have issued our report thereon dated October 23, 2013. We were unable to express an audit opinion due to the Town's failure to maintain adequate accounting records.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, 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 an opinion on the financial statements, 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 2011-1, 2011-3, and 2011-4 to be material weaknesses.

***Compliance and Other Matters***

As part of our attempt to obtain reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2011-2, 2011-3, and 2011-4.

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

***Town of Moores Hill'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 statements 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.

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2013

## FINANCIAL STATEMENT

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

TOWN OF MOORES HILL  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 25,532	\$ 52,321	\$ 55,793	\$ 22,060
Motor Vehicle Highway	1,156	17,428	16,668	1,916
Local Road And Street	751	6,484	6,645	590
Savings	309,611	385,956	167,300	528,267
Fire Contract	-	12,230	10,085	2,145
Riverboat Checking Fund	16,234	156,076	152,009	20,301
Cigg Tax	674	2,909	3,500	83
Payroll Acct	8,046	167,982	168,226	7,802
Wastewater Utility - Operating	10,302	512,906	405,382	117,826
Totals	<u>\$ 372,306</u>	<u>\$ 1,314,292</u>	<u>\$ 985,608</u>	<u>\$ 700,990</u>

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

TOWN OF MOORES HILL  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 22,060	\$ 66,250	\$ 62,375	\$ 25,935
Motor Vehicle Highway	1,916	21,839	16,782	6,973
Local Road And Street	590	5,728	2,769	3,549
RIVERBOAT SAVINGS AND CDS	671,267	340,658	176,506	835,419
Cigg Tax	83	1,824	-	1,907
DEARBORN COMMUNITY FOUNDATION GRANT	-	39,791	-	39,791
Fire Contract	2,145	-	2,145	-
Riverboat Checking Fund	95,757	150,889	148,679	97,967
Payroll Acct	7,802	165,874	172,680	996
DAILY CASH DRAWER	-	2,892	-	2,892
STORM WATER FUND	8,990	-	-	8,990
Debit Account/Payment Account	27,300	80,223	40,119	67,404
Debt Reserve/Sinking Fund	-	11,571	51	11,520
Construction Account	23,383	1,445,525	1,461,555	7,353
Wastewater Utility - Operating	108,836	561,951	584,149	86,638
Totals	<u>\$ 970,129</u>	<u>\$ 2,895,015</u>	<u>\$ 2,667,810</u>	<u>\$ 1,197,334</u>

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

TOWN OF MOORES HILL  
NOTES TO FINANCIAL STATEMENTS

**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 statements present the financial information for the Town.

*B. Basis of Accounting*

The financial statements are 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 and 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 statements. 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 MOORES HILL  
NOTES TO FINANCIAL STATEMENTS  
(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 statements. The aggregate disbursements include the following uses:

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

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

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

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

TOWN OF MOORES HILL  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

*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 MOORES HILL  
NOTES TO FINANCIAL STATEMENTS  
(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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2011 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 statements 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.

TOWN OF MOORES HILL  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Savings	Fire Contract	Riverboat Checking Fund	Cigg Tax	Payroll Acct	Wastewater Utility - Operating	Totals
Cash and investments - beginning	\$ 25,532	\$ 1,156	\$ 751	\$ 309,611	\$ -	\$ 16,234	\$ 674	\$ 8,046	\$ 10,302	\$ 372,306
Receipts:										
Taxes	31,324	-	-	-	-	-	-	-	-	31,324
Intergovernmental	15,078	17,428	6,484	335,330	-	-	2,909	-	-	377,229
Charges for services	-	-	-	-	12,230	-	-	-	-	12,230
Utility fees	-	-	-	-	-	-	-	-	171,398	171,398
Other receipts	5,919	-	-	50,626	-	156,076	-	167,982	341,508	722,111
Total receipts	<u>52,321</u>	<u>17,428</u>	<u>6,484</u>	<u>385,956</u>	<u>12,230</u>	<u>156,076</u>	<u>2,909</u>	<u>167,982</u>	<u>512,906</u>	<u>1,314,292</u>
Disbursements:										
Personal services	33,792	16,668	-	-	-	32,300	-	-	-	82,760
Supplies	1,092	-	6,359	-	-	27,442	-	-	-	34,893
Other services and charges	20,909	-	286	300	-	86,946	-	-	-	108,441
Utility operating expenses	-	-	-	-	-	-	-	-	402,186	402,186
Other disbursements	-	-	-	167,000	10,085	5,321	3,500	168,226	3,196	357,328
Total disbursements	<u>55,793</u>	<u>16,668</u>	<u>6,645</u>	<u>167,300</u>	<u>10,085</u>	<u>152,009</u>	<u>3,500</u>	<u>168,226</u>	<u>405,382</u>	<u>985,608</u>
Excess (deficiency) of receipts over disbursements	<u>(3,472)</u>	<u>760</u>	<u>(161)</u>	<u>218,656</u>	<u>2,145</u>	<u>4,067</u>	<u>(591)</u>	<u>(244)</u>	<u>107,524</u>	<u>328,684</u>
Cash and investments - ending	<u>\$ 22,060</u>	<u>\$ 1,916</u>	<u>\$ 590</u>	<u>\$ 528,267</u>	<u>\$ 2,145</u>	<u>\$ 20,301</u>	<u>\$ 83</u>	<u>\$ 7,802</u>	<u>\$ 117,826</u>	<u>\$ 700,990</u>

TOWN OF MOORES HILL  
 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	RIVERBOAT SAVINGS AND CDS	Cigg Tax	DEARBORN COMMUNITY FOUNDATION GRANT	Fire Contract	Riverboat Checking Fund
Cash and investments - beginning	\$ 22,060	\$ 1,916	\$ 590	\$ 671,267	\$ 83	\$ -	\$ 2,145	\$ 95,757
Receipts:								
Taxes	40,851	-	-	154,299	-	-	-	-
Licenses and permits	2,452	-	-	-	-	-	-	-
Intergovernmental	16,197	17,312	5,728	186,162	1,824	-	-	-
Charges for services	1,450	-	-	-	-	-	-	-
Fines and forfeits	44	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	5,256	4,527	-	197	-	39,791	-	150,889
Total receipts	66,250	21,839	5,728	340,658	1,824	39,791	-	150,889
Disbursements:								
Personal services	33,467	12,927	-	-	-	-	-	62,570
Supplies	1,786	-	-	-	-	-	-	27,100
Other services and charges	26,743	3,855	2,769	6	-	-	2,145	56,976
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	379	-	-	176,500	-	-	-	2,033
Total disbursements	62,375	16,782	2,769	176,506	-	-	2,145	148,679
Excess (deficiency) of receipts over disbursements	3,875	5,057	2,959	164,152	1,824	39,791	(2,145)	2,210
Cash and investments - ending	\$ 25,935	\$ 6,973	\$ 3,549	\$ 835,419	\$ 1,907	\$ 39,791	\$ -	\$ 97,967

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

	Payroll Acct	DAILY CASH DRAWER	STORM WATER FUND	Debit Account/Payment Account	Debt Reserve/Sinking Fund	Construction Account	Wastewater Utility - Operating	Totals
Cash and investments - beginning	\$ 7,802	\$ -	\$ 8,990	\$ 27,300	\$ -	\$ 23,383	\$ 108,836	\$ 970,129
Receipts:								
Taxes	-	-	-	-	-	-	-	195,150
Licenses and permits	-	-	-	-	-	-	-	2,452
Intergovernmental	-	-	-	-	-	-	-	227,223
Charges for services	-	-	-	-	-	-	-	1,450
Fines and forfeits	-	-	-	-	-	-	-	44
Utility fees	-	2,691	-	-	-	-	231,472	234,163
Other receipts	165,874	201	-	80,223	11,571	1,445,525	330,479	2,234,533
Total receipts	165,874	2,892	-	80,223	11,571	1,445,525	561,951	2,895,015
Disbursements:								
Personal services	132,810	-	-	-	-	-	-	241,774
Supplies	51	-	-	-	-	-	-	28,937
Other services and charges	-	-	-	-	-	-	-	92,494
Capital outlay	-	-	-	-	-	1,405,692	212,005	1,617,697
Utility operating expenses	-	-	-	-	51	55,775	203,695	259,521
Other disbursements	39,819	-	-	40,119	-	88	168,449	427,387
Total disbursements	172,680	-	-	40,119	51	1,461,555	584,149	2,667,810
Excess (deficiency) of receipts over disbursements	(6,806)	2,892	-	40,104	11,520	(16,030)	(22,198)	227,205
Cash and investments - ending	\$ 996	\$ 2,892	\$ 8,990	\$ 67,404	\$ 11,520	\$ 7,353	\$ 86,638	\$ 1,197,334

TOWN OF MOORES HILL  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Storm Water	\$ -	\$ 220
Wastewater	2,969	10,374
Governmental activities	<u>3,964</u>	<u>-</u>
Totals	<u>\$ 6,933</u>	<u>\$ 10,594</u>

TOWN OF MOORES HILL  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
General obligation bonds	NEW WASTEWATER TREATMENT PLANT - BOND SERIES A	\$ 1,242,000	\$ 36,923
General obligation bonds	NEW WASTEWATER TREATMENT PLANT - BOND SERIES B	<u>354,000</u>	<u>10,671</u>
Total Wastewater		<u>1,596,000</u>	<u>47,594</u>
Totals		<u>\$ 1,596,000</u>	<u>\$ 47,594</u>

TOWN OF MOORES HILL  
 SCHEDULE OF CAPITAL ASSETS  
 December 31, 2011

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	\$ 19,000
Buildings	863,690
Machinery, equipment, and vehicles	227,198
Books and other	30,000
Total governmental activities	1,139,888
Wastewater:	
Land	250,000
Infrastructure	1,520,580
Buildings	3,065,834
Total Wastewater	4,836,414
Storm water:	
Infrastructure	698,754
Total capital assets	\$ 6,675,056

TOWN OF MOORES HILL  
AUDIT RESULTS AND COMMENTS

**ANNUAL REPORT**

The Annual Reports for 2010 and 2011 contained a number of errors and did not properly reflect the financial activity of the Town of Moores Hill.

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

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

**CERTIFIED REPORT NOT FILED (Applies to Clerk-Treasurer)**

The Town did not file a Certified Report of Names, Addresses, Duties and Compensation of Public Employees (Form 100-R) with the Indiana State Board of Accounts for 2010.

Indiana Code 5-11-13-1 states in part:

"(a) Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. . . .

(b) The department of local government finance may not approve the budget of a county, city, town, or township or a supplemental appropriation for a county, city, town, or township until the county, city, town, or township files an annual report under subsection (a) for the preceding calendar year."

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Year	Excess Amount Expended
Motor Vehicle Highway	2011	\$ 4,815
Fire	2011	455

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF MOORES HILL, DEARBORN COUNTY, INDIANA

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

We have audited the Town of Moores Hill'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, 2010 to December 31, 2011. 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.

***Basis for Qualified Opinion on the Community Development Block Grants/  
State's Program and Non-Entitlement Grants in Hawaii***

As described in item 2011-07 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Cash Management compliance requirements that are applicable to its Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

***Qualified Opinion on the Community Development Block Grants/  
State's Program and Non-Entitlement Grants in Hawaii***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii program for the period of January 1, 2010 to December 31, 2011.

***Basis for Qualified Opinion on ARRA - Water and Waste Disposal Systems for Rural Communities***

As described in item 2011-08 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Special Tests and Provisions compliance requirements that are applicable to its ARRA - Water and Waste Disposal Systems for Rural Communities Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

***Qualified Opinion on ARRA - Water and Waste Disposal Systems for Rural Communities***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the ARRA - Water and Waste Disposal Systems for Rural Communities Program for the period of January 1, 2010 to December 31, 2011.

***Other Matters***

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

***Report on Internal Control Over Compliance***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on 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.

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-05 and 2011-06 to be material weaknesses.

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

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.

  
Paul D. Joyce, CPA  
State Examiner

October 23, 2013

#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF MOORES HILL  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2010 and 2011

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 12-31-10	Total Federal Awards Expended 12-31-11
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.781			
Loan			IN-702-92-01	\$ 1,242,000	\$ -
Grant			IN-702-92-02	-	1,309,000
Loan			IN-702-92-03	<u>326,000</u>	<u>28,000</u>
Total - Department of Agriculture				<u>1,568,000</u>	<u>1,337,000</u>
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	B10DC180001DR2-09-00	<u>243,700</u>	<u>326,300</u>
Total - Department of Housing and Urban Development				<u>243,700</u>	<u>326,300</u>
Total federal awards expended				<u>\$ 1,811,700</u>	<u>\$ 1,663,300</u>

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

TOWN OF MOORES HILL  
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 Moores Hill and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 cities and towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.



TOWN OF MOORES HILL  
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 2011-02 - CONDITION OF RECORDS***

Financial records presented for audit were incomplete. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions as described below:

1. Council minutes for May, October, and November 2010 were not presented for audit.
2. Bank statements for the Town's Riverboat Fund for the period prior to June 24, 2010 were not presented for audit.
3. Accounts payable vouchers and supporting documentation for January, February, March, and April 2011 were not presented for audit.

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 2011-03 - INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENT***

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the financial statements. The Town should have proper controls in place over the preparation of the financial statements to ensure accurate reporting of cash and investments and financial activity. Without a proper system of internal control in place that operates effectively, material misstatements of the financial statements could remain undetected.

The following errors were noted regarding the preparation of the financial statements:

1. The beginning balances for some funds did not agree with the ending balances from the prior period.
2. Not all financial activity was reported in the financial statements.
3. A Town fund was excluded from the financial statements.
4. Financial activity reported did not always agree with the records.

TOWN OF MOORES HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

The financial statements were compiled from information entered by the Town into the Annual Financial Report.

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)

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

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

***FINDING 2011-04 - INTERNAL CONTROLS OVER THE SCHEDULE OF EXPENDITURES OF FEDERAL ASSISTANCE***

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

During the audit of the SEFA, we noted the following errors:

1. Federal expenditures of \$1,811,700 were not reported on the SEFA for 2010.
2. Federal expenditures were overstated by \$72,055 on the SEFA for 2011.
3. The Department of Agriculture grant consisted of three separate projects identified under CFDA 10.781. The SEFA reported all expenditures as one project.

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

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

TOWN OF MOORES HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

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

"Schedule of expenditures of Federal awards: The auditee shall also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple award years, the auditee may list the amount of Federal awards expended for each award year separately. At a minimum, the schedule shall:

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision I the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide 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 subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

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

**FINDING 2011-05 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE ARRA - WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES**

Federal Agency: Department of Agriculture

Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.781

Federal Award Number and Year (or Other Identifying Number): IN-702-92-01; IN-702-92-02;  
and IN-702-92-03

Pass-Through Entity: Direct Grant

TOWN OF MOORES HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Management of the Town of Moores Hill (Town) has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Costs and Activities; Cash Management; Davis-Bacon; Equipment and Real Property Management; Matching, Level of Effort and Earmarking; Period of Availability; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow non-compliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, or detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

***FINDING 2011-06 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII***

Federal Agency: Department of Housing and Urban Development

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

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B10DC180001DR2-09-00

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

Management of the Town of Moores Hill (Town) has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and some of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Costs and Activities; Cash Management; Davis-Bacon; Equipment and Real Property Management; Period of Availability; Procurement, Suspension, and Debarment; Reporting; and

TOWN OF MOORES HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material noncompliance with the grant agreement, or a type of compliance requirement of a federal program will be prevented, detected and corrected, on a timely basis. In order to have an effective internal control system, it is important to have proper segregation of duties. This is accomplished by making sure proper oversight, reviews, and approvals take place and to have a separation of functions over certain activities related to the program. The fundamental premise of segregation of duties is that an individual or small group of individuals should not be in a position to initiate, approve, undertake, and review the same activity.

OMB Circular A-133, Subpart C, section .300 states in part:

"The auditee shall: . . . (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance of the grant agreement or the compliance requirements that have a direct and material effect to the program could result in the loss of federal funds to the Town.

We recommended the Town's management establish controls, including segregation of duties, related to the grant agreement and the compliance requirements noted above that have a direct and material effect to the program.

***FINDING 2011-07 - CASH MANAGEMENT***

Federal Agency: Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's  
Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year (or Other Identifying Number): B10DC180001DR2-09-00  
Pass-Through Entity: Indiana Office of Community and Rural Affairs

Amounts received by the Town for the Community Development Block Grants program were requested and received in advance of payment to vendors or contractors.

Grant receipts of \$14,000 received January 25, 2011, were not disbursed until February 4, 2011. Of \$138,000 in grant receipts received April 18, 2011, \$59,000 of the funds received were not disbursed until April 28, 2011.

24 CFR 85.20 (b)(7) states in part:

"Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the

TOWN OF MOORES HILL  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

receipt of reports on subgrantees' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency. When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements. Grantees must monitor cash drawdowns by their subgrantees to assure that they conform substantially to the same standards of timing and amount as apply to advances to the grantees."

The grant agreement required compliance with the Indiana CDBG Handbook (Handbook). In Section 1.9.1 of the Handbook it states in part:

"Financial Management: Throughout project implementation, an accounting of all financial activities is required. Accurate records pertaining to the receipt and disbursement of all funds for the project must be maintained. All federal funds must be accounted for, and it must be clearly documented that no more than \$5,000 in federal funds is held in the Grantee's account for a period longer than five business days."

Noncompliance with the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

We recommended the Town's management ensure compliance with requirements related to cash management contained in grant agreements.

***FINDING 2011-08 - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Department of Agriculture

Federal Program: ARRA - Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.781

Federal Award Number and Year (or Other Identifying Number): IN 702-92-01; IN 702-92-02;  
and IN 702-92-03

Pass-Through Entity: Direct Grant

The Town received American Reinvestment and Recovery Act (ARRA) awards through the Water and Waste Disposal Systems for Rural Communities program. One of the requirements in ARRA awards is that accounting records for ARRA funds should provide for the separate identification of and accounting for ARRA awards and activity. For a portion of the audit period, the Town did not include the ARRA funds and transactions in its records. For a part of the audit period, the Town did not maintain separate funds or accounts for the ARRA awards but commingled them with other funding sources in a single fund.

2 CFR 176.210 states in part:

". . . recipients agree to maintain records that identify adequately the source and application of Recovery Act funds."

Noncompliance of the grant agreement or the applicable compliance requirements could result in the loss of federal funds to the Town.

We recommended the Town's management establish separate funds in the Town's ledger for ARRA awards in accordance with 2 CFR 176.210.

# Town of Moores Hill

16610 North Broadway St. • Moores Hill, IN 47032

Office (812) 744-6213 • Fax (812) 744-1350

## CORRECTIVE ACTION PLAN

**Auditee Contact Person:** Guinevere Emery

**Title of Contact Person:** Clerk-Treasurer

**Phone Number:** (812) 744-6213

### **Finding No. 2011-01 Internal Controls Over Financial Transactions and Reporting**

Lack of Segregation of Duties: Certain duties described in the finding have already been segregated. The Town is a small governmental unit. Further segregation of duties would require additional staff. Management has determined that it would be cost prohibitive to hire additional office staff in order to achieve further segregation of duties. Management acknowledges and assumes the risk inherent with current staffing and duties.

### **Finding No. 2011-02 Condition of Records**

The comments are for records missing from the term of a **previous Clerk-Treasurer**. We have retained all records.

### **Finding No. 2011-03 Internal Controls Over the Preparation of the Financial Statement**

The 2010 financial statement was prepared by the **previous Clerk-Treasurer**.

For part of 2011, records were maintained by the **previous Clerk-Treasurer**. Some records maintained by the **previous Clerk-Treasurer** were incomplete or inaccurate. The 2011 financial statement was prepared based on the best available information.

We believe our controls over financial statement reporting are sufficient and anticipate no further problems with our financial statement reporting.

### **Finding No. 2011-04 Internal Controls Over the Schedule of Expenditures of Federal Assistance**

The 2010 schedule of expenditures of federal assistance (SEFA) was prepared by the **previous Clerk-Treasurer**.

For part of 2011, records were maintained by the previous Clerk-Treasurer. Some records maintained by the **previous Clerk-Treasurer** were incomplete or inaccurate. The 2011 SEFA was prepared based on the best available information.

We believe our controls over SEFA reporting is sufficient and anticipate no further problems with our SEFA reporting.

**Finding No. 2011-05 Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to ARRA- Water and Waste Disposal Systems for Rural Communities**

Federal Agency: U.S. Department of Agriculture  
Federal Program: ARRA- Water and Waste Disposal Systems for Rural Communities  
CFDA Number: 10.781  
Direct Grant  
Federal Award Numbers: IN-702-92-01; IN-702-92-02; and IN-702-92-03

The Town is reviewing internal controls over federal programs and will implement them for the compliance requirements listed in the related finding for future federal programs.

**Finding No. 2011-06 Internal Controls Over Compliance Requirements That Have a Direct and Material Effect to Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Pass-Through: Indiana Office of Community and Rural Affairs  
Other Identifying Number: B10DC180001DR2-09-00

The Town is reviewing internal controls over federal programs and will implement them for the compliance requirements listed in the related finding.

**Finding No. 2011-07 Cash Management**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Pass-Through: Indiana Office of Community and Rural Affairs  
Other Identifying Number: B10DC180001DR2-09-00

The untimely payments cited in the finding were due to errors by the **previous Clerk-Treasurer**. We believe our current internal control structure and personnel are sufficient to avoid recurrence of these errors.

**Finding No. 2011-08 Special Tests and Provisions**

Federal Agency: U.S. Department of Agriculture  
Federal Program: ARRA- Water and Waste Disposal Systems for Rural Communities  
CFDA Number: 10.781  
Direct Grant  
Federal Award Numbers: IN-702-92-01; IN-702-92-02; and IN-702-92-03

This program has been completed. In the future, if we receive any additional ARRA-funded awards, they will be accounted for in separate funds.



Guinevere Emery



Clerk/Treasurer

10-15-13

10-15-13

TOWN OF MOORES HILL  
EXIT CONFERENCE

The contents of this report were discussed on October 23, 2013, with Guinevere Emery, Clerk-Treasurer, and Lanny Dell, President of the Town Council. The officials concurred with our audit findings and stated they intended their Corrective Action Plan for federal findings to also be an official response to the results and comments.