

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SHELburn
SULLIVAN COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
05/30/2014

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Noah Jay Southwood	01-01-09 to 12-31-16
President of the Town Council	James Ward	01-01-12 to 12-31-14
Water Superintendent	Kenneth C. Miller	01-01-12 to 12-31-14



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHELBURN, SULLIVAN COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Shelburn (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, 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, 2012 to December 31, 2013.

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, 2012 to December 31, 2013, 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 March 24, 2014, 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.


Paul D. Joyce, CPA
State Examiner

March 24, 2014



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 SHELburn, SULLIVAN 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 Shelburn (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated March 24, 2014, 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 2013-001 and 2013-002 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 2013-001.

Town of Shelburn's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 24, 2014

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 SHELburn
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
GENERAL FUND	\$ 2,188	\$ 247,539	\$ 240,692	\$ 9,035	\$ 196,264	\$ 189,528	\$ 15,771
MOTOR VEHICLE HIGHWAY	5,413	32,143	30,617	6,939	48,485	44,137	11,287
LOCAL ROAD AND STREET	7,702	13,100	11,373	9,429	13,711	11,863	11,277
CONTINUING EDUCATION	61	-	-	61	-	-	61
PARK & RECREATION	1,268	739	189	1,818	566	-	2,384
RAINY DAY	9,466	-	-	9,466	-	-	9,466
CUMULATIVE CAPT. IMP.	3,343	3,396	3,991	2,748	3,361	3,664	2,445
CUM.CAP.DEVELOPMENT	2,493	2,200	2,327	2,366	2,507	1,000	3,873
RIVERBOAT REVENUE SHARING	-	7,417	7,417	-	7,417	-	7,417
POLICE EQUIPMENT DONATION	22	-	-	22	-	-	22
POLICE ACCIDENT REPORT	126	3	-	129	5	-	134
FIREARM'S TRAINING	1,218	440	-	1,658	902	195	2,365
COMMUNITY BLD. FUND	2,967	4,400	3,723	3,644	4,850	1,707	6,787
ORD.VIOLATION	104	-	-	104	-	-	104
INTERURBAN IMPROVEMENT	1,604	-	1,604	-	-	-	-
INTERURBAN IMPR GRANT	2,480	-	2,480	-	-	-	-
EDIT	6,853	66,575	56,853	16,575	65,104	46,952	34,727
CHERRY DALE TIF DISTRICT	2,463	7,611	6,125	3,949	6,552	125	10,376
PAYROLL	2,685	259,836	256,080	6,441	294,698	297,791	3,348
STORM WATER OPERATING	21,344	83,601	65,477	39,468	77,327	52,342	64,453
STORM WATER BOND & INT	26,269	43,163	41,474	27,958	32,725	41,061	19,622
STORMWATER DEPRECIATION	8,977	6,000	-	14,977	6,000	-	20,977
STORMWATER DEBT SERV RES	38,204	6,796	-	45,000	-	-	45,000
SEWAGE OPERATING	139,916	307,941	237,655	210,202	383,126	446,573	146,755
SEWAGE BOND AND INTEREST	63,705	32,500	52,425	43,780	70,187	81,562	32,405
SEWAGE DEPRECIATION	14,211	40,000	-	54,211	60,000	-	114,211
SEWAGE DEBT SERV RES	-	-	-	-	50,000	-	50,000
SULLIVAN SEWAGE ACCT.	-	30,141	30,141	-	35,444	35,444	-
SEWAGE CONSTRUCTION	90	2,801,610	2,792,864	8,836	-	7,166	1,670
WATER OPERATING	26,643	750,177	689,422	87,398	720,457	678,853	129,002
WATER BOND AND INTEREST	-	204,802	159,652	45,150	-	21,644	23,506
WATER DEPRECIATION	24,768	57,331	-	82,099	76,113	-	158,212
WATER METER DEPOSIT	55,368	8,375	7,152	56,591	10,243	7,775	59,059
WATER DEBT SERVICE RESERVE	163,650	8	163,658	-	-	-	-
TOTALS	\$ 635,601	\$ 5,017,844	\$ 4,863,391	\$ 790,054	\$ 2,166,044	\$ 1,969,382	\$ 986,716

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

TOWN OF SHELburn
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 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 statement. The aggregate receipts include the following sources:

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

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

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

TOWN OF SHELburn
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

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

TOWN OF SHELburn
NOTES TO FINANCIAL STATEMENT
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

TOWN OF SHELburn
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Report 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 SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2012

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	CONTINUING EDUCATION	PARK & RECREATION	RAINY DAY	CUMULATIVE CAPT. IMP.
Cash and investments - beginning	\$ 2,188	\$ 5,413	\$ 7,702	\$ 61	\$ 1,268	\$ 9,466	\$ 3,343
Receipts:							
Taxes	79,504	-	7,746	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	19,865	31,843	5,354	-	-	-	3,321
Charges for services	-	-	-	-	354	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	148,170	300	-	-	385	-	75
Total receipts	<u>247,539</u>	<u>32,143</u>	<u>13,100</u>	<u>-</u>	<u>739</u>	<u>-</u>	<u>3,396</u>
Disbursements:							
Personal services	39,400	6,207	-	-	-	-	-
Supplies	6,465	13,091	-	-	39	-	910
Other services and charges	51,075	11,319	-	-	150	-	3,081
Debt service - principal and interest	37,468	-	11,373	-	-	-	-
Capital outlay	26,284	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	80,000	-	-	-	-	-	-
Total disbursements	<u>240,692</u>	<u>30,617</u>	<u>11,373</u>	<u>-</u>	<u>189</u>	<u>-</u>	<u>3,991</u>
Excess (deficiency) of receipts over disbursements	<u>6,847</u>	<u>1,526</u>	<u>1,727</u>	<u>-</u>	<u>550</u>	<u>-</u>	<u>(595)</u>
Cash and investments - ending	<u>\$ 9,035</u>	<u>\$ 6,939</u>	<u>\$ 9,429</u>	<u>\$ 61</u>	<u>\$ 1,818</u>	<u>\$ 9,466</u>	<u>\$ 2,748</u>

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

	<u>CUM.CAP.DEVELOPMENT</u>	<u>RIVERBOAT REVENUE SHARING</u>	<u>POLICE EQUIPMENT DONATION</u>	<u>POLICE ACCIDENT REPORT</u>	<u>FIREARM'S TRAINING</u>	<u>COMMUNITY BLD. FUND</u>	<u>ORD.VIOLATION</u>
Cash and investments - beginning	\$ 2,493	\$ -	\$ 22	\$ 126	\$ 1,218	\$ 2,967	\$ 104
Receipts:							
Taxes	1,778	-	-	-	-	-	-
Licenses and permits	-	-	-	-	440	-	-
Intergovernmental	422	7,417	-	-	-	-	-
Charges for services	-	-	-	3	-	4,400	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>2,200</u>	<u>7,417</u>	<u>-</u>	<u>3</u>	<u>440</u>	<u>4,400</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	1,424	-
Supplies	-	-	-	-	-	-	-
Other services and charges	2,327	7,417	-	-	-	2,299	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>2,327</u>	<u>7,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,723</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(127)</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>440</u>	<u>677</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,366</u>	<u>\$ -</u>	<u>\$ 22</u>	<u>\$ 129</u>	<u>\$ 1,658</u>	<u>\$ 3,644</u>	<u>\$ 104</u>

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

	INTERURBAN IMPROVEMENT	INTERURBAN IMPR GRANT	EDIT	CHERRY DALE TIF DISTRICT	PAYROLL	STORM WATER OPERATING	STORM WATER BOND & INT
Cash and investments - beginning	\$ 1,604	\$ 2,480	\$ 6,853	\$ 2,463	\$ 2,685	\$ 21,344	\$ 26,269
Receipts:							
Taxes	-	-	-	7,611	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	64,608	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	80,589	-
Penalties	-	-	-	-	-	2,469	-
Other receipts	-	-	1,967	-	259,836	543	43,163
Total receipts	-	-	66,575	7,611	259,836	83,601	43,163
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	6,058	-	-	-	-
Other services and charges	1,604	2,480	47,795	1,125	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	41,474
Capital outlay	-	-	-	-	-	2,450	-
Utility operating expenses	-	-	-	-	-	7,068	-
Other disbursements	-	-	3,000	5,000	256,080	55,959	-
Total disbursements	1,604	2,480	56,853	6,125	256,080	65,477	41,474
Excess (deficiency) of receipts over disbursements	(1,604)	(2,480)	9,722	1,486	3,756	18,124	1,689
Cash and investments - ending	\$ -	\$ -	\$ 16,575	\$ 3,949	\$ 6,441	\$ 39,468	\$ 27,958

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

	STORMWATER DEPRECIATION	STORMWATER DEBT SERV RES	SEWAGE OPERATING	SEWAGE BOND AND INTEREST	SEWAGE DEPRECIATION	SEWAGE DEBT SERV RES	SULLIVAN SEWAGE ACCT.
Cash and investments - beginning	\$ 8,977	\$ 38,204	\$ 139,916	\$ 63,705	\$ 14,211	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	286,922	-	-	-	30,141
Penalties	-	-	83	-	-	-	-
Other receipts	6,000	6,796	20,936	32,500	40,000	-	-
Total receipts	6,000	6,796	307,941	32,500	40,000	-	30,141
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	26,688	49,725	-	-	-
Capital outlay	-	-	2,450	-	-	-	-
Utility operating expenses	-	-	136,017	2,700	-	-	30,141
Other disbursements	-	-	72,500	-	-	-	-
Total disbursements	-	-	237,655	52,425	-	-	30,141
Excess (deficiency) of receipts over disbursements	6,000	6,796	70,286	(19,925)	40,000	-	-
Cash and investments - ending	\$ 14,977	\$ 45,000	\$ 210,202	\$ 43,780	\$ 54,211	\$ -	\$ -

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

	SEWAGE CONSTRUCTION	WATER OPERATING	WATER BOND AND INTEREST	WATER DEPRECIATION	WATER METER DEPOSIT	WATER DEBT SERVICE RESERVE	TOTALS
Cash and investments - beginning	\$ 90	\$ 26,643	\$ -	\$ 24,768	\$ 55,368	\$ 163,650	\$ 635,601
Receipts:							
Taxes	-	-	-	-	-	-	96,639
Licenses and permits	-	-	-	-	-	-	440
Intergovernmental	2,789,830	-	-	-	-	-	2,922,660
Charges for services	-	-	-	-	-	-	4,757
Utility fees	-	705,194	-	9,331	8,375	-	1,120,552
Penalties	-	3,918	-	-	-	-	6,470
Other receipts	11,780	41,065	204,802	48,000	-	8	866,326
Total receipts	<u>2,801,610</u>	<u>750,177</u>	<u>204,802</u>	<u>57,331</u>	<u>8,375</u>	<u>8</u>	<u>5,017,844</u>
Disbursements:							
Personal services	-	-	-	-	-	-	47,031
Supplies	-	-	-	-	-	-	26,563
Other services and charges	-	-	-	-	-	-	130,672
Debt service - principal and interest	-	20,545	159,652	-	-	-	346,925
Capital outlay	-	22,899	-	-	-	-	54,083
Utility operating expenses	2,784,411	557,535	-	-	7,152	-	3,525,024
Other disbursements	8,453	88,443	-	-	-	163,658	733,093
Total disbursements	<u>2,792,864</u>	<u>689,422</u>	<u>159,652</u>	<u>-</u>	<u>7,152</u>	<u>163,658</u>	<u>4,863,391</u>
Excess (deficiency) of receipts over disbursements	<u>8,746</u>	<u>60,755</u>	<u>45,150</u>	<u>57,331</u>	<u>1,223</u>	<u>(163,650)</u>	<u>154,453</u>
Cash and investments - ending	<u>\$ 8,836</u>	<u>\$ 87,398</u>	<u>\$ 45,150</u>	<u>\$ 82,099</u>	<u>\$ 56,591</u>	<u>\$ -</u>	<u>\$ 790,054</u>

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013

	GENERAL FUND	MOTOR VEHICLE HIGHWAY	LOCAL ROAD AND STREET	CONTINUING EDUCATION	PARK & RECREATION	RAINY DAY	CUMULATIVE CAPT. IMP.
Cash and investments - beginning	\$ 9,035	\$ 6,939	\$ 9,429	\$ 61	\$ 1,818	\$ 9,466	\$ 2,748
Receipts:							
Taxes	78,291	-	8,905	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	20,165	35,673	4,806	-	-	-	3,361
Charges for services	-	-	-	-	566	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	<u>97,808</u>	<u>12,812</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>196,264</u>	<u>48,485</u>	<u>13,711</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>3,361</u>
Disbursements:							
Personal services	38,236	7,078	-	-	-	-	-
Supplies	5,646	10,891	1,000	-	-	-	516
Other services and charges	52,317	9,861	-	-	-	-	3,148
Debt service - principal and interest	9,045	-	10,863	-	-	-	-
Capital outlay	4,284	16,307	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>189,528</u>	<u>44,137</u>	<u>11,863</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,664</u>
Excess (deficiency) of receipts over disbursements	<u>6,736</u>	<u>4,348</u>	<u>1,848</u>	<u>-</u>	<u>566</u>	<u>-</u>	<u>(303)</u>
Cash and investments - ending	<u>\$ 15,771</u>	<u>\$ 11,287</u>	<u>\$ 11,277</u>	<u>\$ 61</u>	<u>\$ 2,384</u>	<u>\$ 9,466</u>	<u>\$ 2,445</u>

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	<u>CUM.CAP.DEVELOPMENT</u>	<u>RIVERBOAT REVENUE SHARING</u>	<u>POLICE EQUIPMENT DONATION</u>	<u>POLICE ACCIDENT REPORT</u>	<u>FIREARM'S TRAINING</u>	<u>COMMUNITY BLD. FUND</u>	<u>ORD.VIOLATION</u>
Cash and investments - beginning	\$ 2,366	\$ -	\$ 22	\$ 129	\$ 1,658	\$ 3,644	\$ 104
Receipts:							
Taxes	1,771	-	-	-	-	-	-
Licenses and permits	-	-	-	-	900	-	-
Intergovernmental	736	7,417	-	-	-	-	-
Charges for services	-	-	-	5	-	4,850	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	2	-	-
Total receipts	<u>2,507</u>	<u>7,417</u>	<u>-</u>	<u>5</u>	<u>902</u>	<u>4,850</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	-	-	1,427	-
Supplies	1,000	-	-	-	-	-	-
Other services and charges	-	-	-	-	195	280	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>195</u>	<u>1,707</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,507</u>	<u>7,417</u>	<u>-</u>	<u>5</u>	<u>707</u>	<u>3,143</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,873</u>	<u>\$ 7,417</u>	<u>\$ 22</u>	<u>\$ 134</u>	<u>\$ 2,365</u>	<u>\$ 6,787</u>	<u>\$ 104</u>

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	INTERURBAN IMPROVEMENT	INTERURBAN IMPR GRANT	EDIT	CHERRY DALE TIF DISTRICT	PAYROLL	STORM WATER OPERATING	STORM WATER BOND & INT
Cash and investments - beginning	\$ -	\$ -	\$ 16,575	\$ 3,949	\$ 6,441	\$ 39,468	\$ 27,958
Receipts:							
Taxes	-	-	-	6,552	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	65,039	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	74,286	-
Penalties	-	-	-	-	-	2,045	-
Other receipts	-	-	65	-	294,698	996	32,725
Total receipts	-	-	65,104	6,552	294,698	77,327	32,725
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	3,119	-	-	-	-
Other services and charges	-	-	36,747	125	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	41,061
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	13,617	-
Other disbursements	-	-	7,086	-	297,791	38,725	-
Total disbursements	-	-	46,952	125	297,791	52,342	41,061
Excess (deficiency) of receipts over disbursements	-	-	18,152	6,427	(3,093)	24,985	(8,336)
Cash and investments - ending	\$ -	\$ -	\$ 34,727	\$ 10,376	\$ 3,348	\$ 64,453	\$ 19,622

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	STORMWATER DEPRECIATION	STORMWATER DEBT SERV RES	SEWAGE OPERATING	SEWAGE BOND AND INTEREST	SEWAGE DEPRECIATION	SEWAGE DEBT SERV RES	SULLIVAN SEWAGE ACCT.
Cash and investments - beginning	\$ 14,977	\$ 45,000	\$ 210,202	\$ 43,780	\$ 54,211	\$ -	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	273,162	-	-	-	35,444
Penalties	-	-	25	-	-	-	-
Other receipts	6,000	-	109,939	70,187	60,000	50,000	-
Total receipts	6,000	-	383,126	70,187	60,000	50,000	35,444
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	21,281	80,162	-	-	-
Capital outlay	-	-	18,692	-	-	-	-
Utility operating expenses	-	-	226,413	1,400	-	-	35,444
Other disbursements	-	-	180,187	-	-	-	-
Total disbursements	-	-	446,573	81,562	-	-	35,444
Excess (deficiency) of receipts over disbursements	6,000	-	(63,447)	(11,375)	60,000	50,000	-
Cash and investments - ending	\$ 20,977	\$ 45,000	\$ 146,755	\$ 32,405	\$ 114,211	\$ 50,000	\$ -

TOWN OF SHELburn
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2013
 (Continued)

	SEWAGE CONSTRUCTION	WATER OPERATING	WATER BOND AND INTEREST	WATER DEPRECIATION	WATER METER DEPOSIT	WATER DEBT SERVICE RESERVE	TOTALS
Cash and investments - beginning	\$ 8,836	\$ 87,398	\$ 45,150	\$ 82,099	\$ 56,591	\$ -	\$ 790,054
Receipts:							
Taxes	-	-	-	-	-	-	95,519
Licenses and permits	-	-	-	-	-	-	900
Intergovernmental	-	-	-	-	-	-	137,197
Charges for services	-	-	-	-	-	-	5,421
Utility fees	-	684,505	-	4,113	10,243	-	1,081,753
Penalties	-	3,923	-	-	-	-	5,993
Other receipts	-	32,029	-	72,000	-	-	839,261
Total receipts	-	720,457	-	76,113	10,243	-	2,166,044
Disbursements:							
Personal services	-	-	-	-	-	-	46,741
Supplies	-	-	-	-	-	-	22,172
Other services and charges	-	-	-	-	-	-	102,673
Debt service - principal and interest	-	14,986	21,644	-	-	-	199,042
Capital outlay	-	12,203	-	-	-	-	51,486
Utility operating expenses	-	579,664	-	-	7,775	-	864,313
Other disbursements	7,166	72,000	-	-	-	-	682,955
Total disbursements	7,166	678,853	21,644	-	7,775	-	1,969,382
Excess (deficiency) of receipts over disbursements	(7,166)	41,604	(21,644)	76,113	2,468	-	196,662
Cash and investments - ending	\$ 1,670	\$ 129,002	\$ 23,506	\$ 158,212	\$ 59,059	\$ -	\$ 986,716

TOWN OF SHELburn
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Shelburn Storm Water Utility	\$ 25,428	\$ 6,437
Shelburn Wastewater Utility	39,684	24,222
Shelburn Municipal Water Utility	8,039	34,405
Governmental activities	6,825	-
Totals	\$ 79,976	\$ 65,064

TOWN OF SHELburn
SCHEDULE OF LEASES AND DEBT
December 31, 2013

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
General obligation bonds	Street Improvements	\$ 55,000	\$ 12,294
General obligation bonds	Street Improvements	10,000	10,374
General obligation bonds	Community Building Addition	18,187	6,028
General obligation bonds	Fire House Garage Addition	11,164	2,200
General obligation bonds	Police Car	14,082	5,232
General obligation bonds	New Holland Tractor	10,031	2,485
Revenue bonds	Water Tower	21,074	-
Revenue bonds	Automated Meter Reading	25,918	14,625
Revenue bonds	Sewer System	14,000	-
Revenue bonds	Sewer System Improvements	1,187,547	33,357
Revenue bonds	Sewer System Line U.S. 41	85,010	19,300
Revenue bonds	Storm Water System Improvements	<u>748,000</u>	<u>43,725</u>
Total governmental activities		<u>2,200,013</u>	<u>149,620</u>
Totals		<u>\$ 2,200,013</u>	<u>\$ 149,620</u>

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TOWN OF SHELburn
SCHEDULE OF CAPITAL ASSETS
December 31, 2013

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:	
Buildings	\$ 495,757
Improvements other than buildings	11,492
Machinery, equipment, and vehicles	389,742
Total governmental activities	896,991
Shelburn Storm Water Utility:	
Infrastructure	1,357,537
Machinery, equipment, and vehicles	3,900
Total Shelburn Storm Water Utility	1,361,437
Shelburn Wastewater Utility:	
Land	10,950
Infrastructure	6,690,034
Buildings	644,739
Machinery, equipment, and vehicles	820,663
Total Shelburn Wastewater Utility	8,166,386
Shelburn Municipal Water Utility:	
Land	27,000
Infrastructure	2,436,594
Buildings	233,494
Machinery, equipment, and vehicles	648,194
Construction in progress	2,072
Total Shelburn Municipal Water Utility	3,347,354
Total capital assets	\$ 13,772,168

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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 SHELBURN, SULLIVAN COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Shelburn'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, 2012 to December 31, 2013. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal 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 the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on the Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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


Paul D. Joyce, CPA
State Examiner

March 24, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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 SHELburn
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Years Ended December 31, 2012 and 2013

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 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant				
Shelburn Wastewater Improvements		10.760		\$ 728,050	\$ -
Total - Water and Waste Program Cluster				<u>728,050</u>	<u>-</u>
Total - Department of Agriculture				<u>728,050</u>	<u>-</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	Office of Community and Rural Affairs				
Shelburn Waste Water Improvements		14.228	A192-11DR2-09-133	2,061,780	-
Interurban Planning Grant			B-12-DC 18-0001	<u>-</u>	<u>9,000</u>
Total - CDBG - State-Administered CDBG Cluster				<u>2,061,780</u>	<u>9,000</u>
Total - Department of Housing and Urban Development				<u>2,061,780</u>	<u>9,000</u>
Total federal awards expended				<u>\$ 2,789,830</u>	<u>\$ 9,000</u>

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

TOWN OF SHELBURN
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 Shelburn 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 SHELburn
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

During the audit of the SEFA we noted the following errors: one federal program's expenditures were overstated by \$17,195,262; one federal program with expenditures of \$728,050 was not reported; direct grant and pass-through agency information, federal program titles, and federal CFDA numbers were not always correct. 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.

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 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.

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

- (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."

FINDING 2013-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to cash and investment balances, 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 place the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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

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

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

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AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.

TOWN OF SHELburn
15 NORTH RAILROAD STREET
SHELburn, IN 47879
(812) 397-5900

March 24, 2014

State Board of Accounts
302 Washington St., Room E418
Indianapolis, Indiana 46204-2765

We are providing this letter in connection with your audit of the financial statements of the Town of Shelburn as of December 31, 2013, and for the two year period then ended, for the purpose of providing a corrective action plan for Finding 2013-001 Internal Controls Over the Expenditures of Federal Awards.

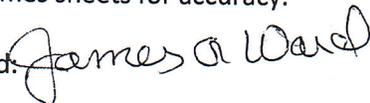
In order to improve procedures in the preparation of the Schedule of Expenditures of Federal Awards (SEFA), we agree to obtain a better understanding of what information is to be reported on the SEFA, including CFDA numbers, official grant titles, and grant award amounts, to accuracy and completeness.

We are also providing a corrective action plan with Finding 2013-002 Internal Controls Over Financial Transactions and Reporting. In order to improve the segregation of duties, thereby strengthening internal controls we agree to have our part-time billing and collection clerk review, initial and approve the monthly bank reconcilements, appoint a Town Council Member to review, initial and approve the monthly fund reports including monthly receipts and disbursements for accuracy and appoint a Town Council Member to review, initial and approve all Employee Weekly Times sheets for accuracy.

Signed: 

Title: Clerk-Treasurer

Date: March 24, 2014

Signed: 

Title: Town Council President

Date: March 24, 2014

OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.