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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

CITY OF ELWOOD
MADISON COUNTY, INDIANA

January 1, 2011 to December 31, 2011

FILED
09/06/2012

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Sandra R. Brewer	01-01-08 to 12-31-11
	Allison M. Atwood	01-01-12 to 12-31-15
Mayor	Honorable W. Merrill Taylor	01-01-08 to 12-31-11
	Honorable Ronald E. Arnold	01-01-12 to 12-31-15
President of the Board of Public Works and Safety	Honorable W. Merrill Taylor	01-01-08 to 12-31-11
	Honorable Ronald E. Arnold	01-01-12 to 12-31-15
President of the Common Council	David J. Savage	01-01-11 to 12-31-11
	Tim Roby	01-01-12 to 12-31-12
Utility Office Manager	Lenora R. Frye	01-01-11 to 12-31-12

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE CITY OF ELWOOD, MADISON COUNTY, INDIANA

We have audited the accompanying financial statement of the City of Elwood (City), for the year ended December 31, 2011. The financial statement is the responsibility of the City's management. Our responsibility is to express an opinion on the 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the City prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated July 26, 2012, on our consideration of the City'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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City'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. Such information has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement. The Combining Schedule 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 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.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012

STATE OF INDIANA
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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 CITY OF ELWOOD, MADISON COUNTY, INDIANA

We have audited the financial statement of the City of Elwood (City), for the year ended December 31, 2011, and have issued our report thereon dated July 26, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 City's financial statement 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012

FINANCIAL STATEMENT

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

CITY OF ELWOOD
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 Fund	$ 560,964	$ 4,412,049	$ 4,179,937	$ 793,076
Motor Vehicles Highway Fund	561,847	671,201	694,290	538,758
Local Road & Street Fund	9,175	84,829	93,998	6
Sanitation User Fee Fund	226,387	480,103	533,069	173,421
Local Law Enforcement Training	25,865	6,281	2,046	30,100
Clerks Record Perpetuation Fund	113,629	23,278	20,019	116,888
Riverboat Wagering Tax Rev Sharing	60,703	60,934	6,861	114,776
Park & Recreation (Pool) Fund	88,381	104,588	133,256	59,713
User Fee-Law Enf Cont Education	5,103	6,580	6,866	4,817
Rainy Day Fund	75,288	-	-	75,288
K-9 Restricted Donation Fund	377	3,798	1,441	2,734
Levy Excess Fund	9,989	-	9,989	-
Economic Development Project	166,742	5,000	35,709	136,033
Slot Machine Wagering Fee Fund	82,167	479,247	314,981	246,433
Cumulative Capital Improvement	14,829	27,962	28,354	14,437
Cumulative Capital Development	168,736	65,574	221,633	12,677
Economic Dev Income Tax Fund	13,113	1,452	-	14,565
Non-Reverting Insurance Fund	93,208	1,574,794	1,499,645	168,357
Police Pension Fund	200,468	300,724	308,358	192,834
Fire Pension Fund	182,126	264,677	267,839	178,964
Court Costs Due County Fund	-	32,952	32,952	-
Program Income Fund	-	232,784	4,877	227,907
Ambulance Fees Non-Reverting	-	138,766	19,526	119,240
City Court	88,732	578,960	564,739	102,953
Self Insurance Reserve	7,109	1,311,643	1,307,841	10,911
Adult Probation Services Fund	5,102	111,029	109,019	7,112
Fire Dept Restricted Donations	755	539	-	1,294
Park Dept Restricted Donations	3,862	614	342	4,134
Dog Pound Restricted Donations	77	-	-	77
Elwood Grant Fund	20	-	-	20
MCCASA/Substance Abuse Grant	122	7,500	7,402	220
In Criminal Justice Inst Grant	45	-	-	45
Voca Grant 2008 In Crim Jus In	173	27,499	27,144	528
Nspi Grant Fund	-	1,102,704	1,102,704	-
Traffic Enforcement	2,226	2,529	2,529	2,226
Supplmntal Pub Def Services Fd	10,725	3,307	4,000	10,032
Police Dept Restricted Donation	1,571	169	409	1,331
Loit Public Safety	176,709	272,458	284,137	165,030
Non-Reverting Ins Pensioners	56,142	-	5,511	50,631
Municipal Complex Lease Fund	97	738,565	721,310	17,352
Payroll Fund	50,529	1,220,353	1,219,720	51,162
Wastewater Revenue Fund	391,914	1,664,325	1,566,087	490,152
Wastewater Bond & Interest Fnd	1,375	72,579	72,579	1,375
Wastewater Construction Fund	104,359	-	62,806	41,553
Wastewater Debt Reserve Fund	42,935	12,351	-	55,286
Water Operating Fund	1,653,822	1,289,515	1,190,184	1,753,153
Water Bond & Interest Fund	75,146	95,996	105,737	65,405
Water Depreciation Fund	243,469	-	-	243,469
Water Meter Deposit Fund	144,976	18,246	18,244	144,978
Water Cash Reserve Fund	150,000	-	-	150,000
Water Debt Service Reserve	28,949	19,299	-	48,248
Totals	$ 5,900,038	$ 17,527,753	$ 16,788,090	$ 6,639,701

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

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor 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, storm water, trash, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the City.

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts include the following sources:

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

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

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

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 City. It includes all expenditures for the reduction of the principal and interest of the City'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.

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 City 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 City. 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 City. 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 City 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 City 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 City in June and December; however, situations can arise which would delay the distributions. State statute (IC6-1.1-17-16) 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.

State statutes authorize the City 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 City 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 City 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. These risks may also be mitigated by the City by recording as a disbursement any replacement items purchased.

Note 6. Pension Plans

A. 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 City 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.

B. *1925 Police Officers' Pension Plan*

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

C. *1937 Firefighters' Pension Plan*

Plan Description

The 1937 Firefighters' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

On Behalf Payments

The 1937 Firefighters' Pension Plan is funded by the State of Indiana through the Indiana Public Retirement System as provided under Indiana Code 5-10.3-11.

D. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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

The contribution requirements of plan members and the City are established by the Board of Trustees of INPRS.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City'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 statement contained in this report and the financial information presented in the Annual Report of the City 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 City. It is presented as intended by the City.

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

	General Fund	Motor Vehicles Highway Fund	Local Road & Street Fund	Sanitation User Fee Fund	Local Law Enforcement Training	Clerks Record Perpetuation Fund
Cash and investments - beginning	$ 560,964	$ 561,847	$ 9,175	$ 226,387	$ 25,865	$ 113,629
Receipts:						
Taxes	2,392,431	376,365	-	-	-	-
Licenses and permits	31,402	-	-	-	3,130	-
Intergovernmental	1,096,148	287,482	84,829	-	-	-
Charges for services	122,699	2,430	-	480,103	3,151	23,278
Fines and forfeits	76,222	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	693,147	4,924	-	-	-	-
Total receipts	4,412,049	671,201	84,829	480,103	6,281	23,278
Disbursements:						
Personal services	3,028,335	507,213	-	-	-	-
Supplies	122,474	64,134	-	-	1,396	3,397
Other services and charges	823,059	105,030	93,998	-	650	9,773
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	204,776	17,913	-	-	-	6,849
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,293	-	-	533,069	-	-
Total disbursements	4,179,937	694,290	93,998	533,069	2,046	20,019
Excess (deficiency) of receipts over disbursements	232,112	(23,089)	(9,169)	(52,966)	4,235	3,259
Cash and investments - ending	$ 793,076	$ 538,758	$ 6	$ 173,421	$ 30,100	$ 116,888

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

	Riverboat Wagering Tax Rev Sharing	Park & Recreation (Pool) Fund	User Fee-Law Enf Cont Education	Rainy Day Fund	K-9 Restricted Donation Fund	Levy Excess Fund
Cash and investments - beginning	$ 60,703	$ 88,381	$ 5,103	$ 75,288	$ 377	$ 9,989
Receipts:						
Taxes	-	78,469	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	60,934	9,355	-	-	-	-
Charges for services	-	1,980	-	-	-	-
Fines and forfeits	-	-	6,580	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	14,784	-	-	3,798	-
Total receipts	60,934	104,588	6,580	-	3,798	-
Disbursements:						
Personal services	-	66,037	-	-	-	-
Supplies	-	11,366	-	-	-	-
Other services and charges	4,500	48,780	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	2,361	7,043	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	30	6,866	-	1,441	9,989
Total disbursements	6,861	133,256	6,866	-	1,441	9,989
Excess (deficiency) of receipts over disbursements	54,073	(28,668)	(286)	-	2,357	(9,989)
Cash and investments - ending	$ 114,776	$ 59,713	$ 4,817	$ 75,288	$ 2,734	$ -

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

	Economic Development Project	Slot Machine Wagering Fee Fund	Cumulative Capital Improvement	Cumulative Capital Development	Economic Dev Income Tax Fund	Non-Reverting Insurance Fund
Cash and investments - beginning	$ 166,742	$ 82,167	$ 14,829	$ 168,736	$ 13,113	$ 93,208
Receipts:						
Taxes	-	479,247	-	60,529	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	27,962	5,043	1,452	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	5,000	-	-	2	-	1,574,794
Total receipts	5,000	479,247	27,962	65,574	1,452	1,574,794
Disbursements:						
Personal services	-	260,360	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	54,621	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	221,633	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	35,709	-	28,354	-	-	1,499,645
Total disbursements	35,709	314,981	28,354	221,633	-	1,499,645
Excess (deficiency) of receipts over disbursements	(30,709)	164,266	(392)	(156,059)	1,452	75,149
Cash and investments - ending	$ 136,033	$ 246,433	$ 14,437	$ 12,677	$ 14,565	$ 168,357

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

	Police Pension Fund	Fire Pension Fund	Court Costs Due County Fund	Program Income Fund	Ambulance Fees Non-Reverting	City Court
Cash and investments - beginning	$ 200,468	$ 182,126	$ -	$ -	$ -	$ 88,732
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	300,724	264,677	-	232,784	-	-
Charges for services	-	-	-	-	138,766	-
Fines and forfeits	-	-	32,952	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	578,960
Total receipts	300,724	264,677	32,952	232,784	138,766	578,960
Disbursements:						
Personal services	1,200	1,200	-	-	3,300	-
Supplies	-	-	-	-	324	-
Other services and charges	118	100	-	-	11,037	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	4,865	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	307,040	266,539	32,952	4,877	-	564,739
Total disbursements	308,358	267,839	32,952	4,877	19,526	564,739
Excess (deficiency) of receipts over disbursements	(7,634)	(3,162)	-	227,907	119,240	14,221
Cash and investments - ending	$ 192,834	$ 178,964	$ -	$ 227,907	$ 119,240	$ 102,953

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

	Self Insurance Reserve	Adult Probation Services Fund	Fire Dept Restricted Donations	Park Dept Restricted Donations	Dog Pound Restricted Donations	Elwood Grant Fund
Cash and investments - beginning	$ 7,109	$ 5,102	$ 755	$ 3,862	$ 77	$ 20
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	110,934	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,311,643	95	539	614	-	-
Total receipts	1,311,643	111,029	539	614	-	-
Disbursements:						
Personal services	-	86,501	-	-	-	-
Supplies	-	455	-	-	-	-
Other services and charges	-	21,973	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,307,841	90	-	342	-	-
Total disbursements	1,307,841	109,019	-	342	-	-
Excess (deficiency) of receipts over disbursements	3,802	2,010	539	272	-	-
Cash and investments - ending	$ 10,911	$ 7,112	$ 1,294	$ 4,134	$ 77	$ 20

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

	MCCASA/Substance Abuse Grant	In Criminal Justice Inst Grant	Voca Grant 2008 In Crim Jus In	Nspi Grant Fund	Traffic Enforcement	Supplmntal Pub Def Services Fd
Cash and investments - beginning	$ 122	$ 45	$ 173	$ -	$ 2,226	$ 10,725
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	7,500	-	27,499	1,102,704	2,088	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	441	3,307
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total receipts	7,500	-	27,499	1,102,704	2,529	3,307
Disbursements:						
Personal services	-	-	-	-	2,529	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	7,402	-	27,144	1,102,704	-	4,000
Total disbursements	7,402	-	27,144	1,102,704	2,529	4,000
Excess (deficiency) of receipts over disbursements	98	-	355	-	-	(693)
Cash and investments - ending	$ 220	$ 45	$ 528	$ -	$ 2,226	$ 10,032

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

	Police Dept Restricted Donation	Loit Public Safety	Non-Reverting Ins Pensioners	Municipal Complex Lease Fund	Payroll Fund	Wastewater Revenue Fund
Cash and investments - beginning	$ 1,571	$ 176,709	$ 56,142	$ 97	$ 50,529	$ 391,914
Receipts:						
Taxes	-	-	-	590,221	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	272,458	-	48,317	-	-
Charges for services	-	-	-	100,000	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	1,660,021
Other receipts	169	-	-	27	1,220,353	4,304
Total receipts	169	272,458	-	738,565	1,220,353	1,664,325
Disbursements:						
Personal services	-	284,137	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	534,310	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	27,289
Utility operating expenses	-	-	-	-	-	1,373,868
Other disbursements	409	-	5,511	187,000	1,219,720	164,930
Total disbursements	409	284,137	5,511	721,310	1,219,720	1,566,087
Excess (deficiency) of receipts over disbursements	(240)	(11,679)	(5,511)	17,255	633	98,238
Cash and investments - ending	$ 1,331	$ 165,030	$ 50,631	$ 17,352	$ 51,162	$ 490,152

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

	Wastewater Bond & Interest Fnd	Wastewater Construction Fund	Wastewater Debt Reserve Fund	Water Operating Fund	Water Bond & Interest Fund
Cash and investments - beginning	$ 1,375	$ 104,359	$ 42,935	$ 1,653,822	$ 75,146
Receipts:					
Taxes	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Utility fees	-	-	-	1,090,573	-
Other receipts	72,579	-	12,351	198,942	95,996
Total receipts	72,579	-	12,351	1,289,515	95,996
Disbursements:					
Personal services	-	-	-	-	-
Supplies	-	-	-	-	-
Other services and charges	-	-	-	-	-
Debt service - principal and interest	72,579	-	-	-	105,737
Capital outlay	-	9,880	-	18,901	-
Utility operating expenses	-	52,926	-	954,272	-
Other disbursements	-	-	-	217,011	-
Total disbursements	72,579	62,806	-	1,190,184	105,737
Excess (deficiency) of receipts over disbursements	-	(62,806)	12,351	99,331	(9,741)
Cash and investments - ending	$ 1,375	$ 41,553	$ 55,286	$ 1,753,153	$ 65,405

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

	Water Depreciation Fund	Water Meter Deposit Fund	Water Cash Reserve Fund	Water Debt Service Reserve	Totals
Cash and investments - beginning	$ 243,469	$ 144,976	$ 150,000	$ 28,949	$ 5,900,038
Receipts:					
Taxes	-	-	-	-	3,977,262
Licenses and permits	-	-	-	-	34,532
Intergovernmental	-	-	-	-	3,831,956
Charges for services	-	-	-	-	872,407
Fines and forfeits	-	-	-	-	230,436
Utility fees	-	-	-	-	2,750,594
Other receipts	-	18,246	-	19,299	5,830,566
Total receipts	-	18,246	-	19,299	17,527,753
Disbursements:					
Personal services	-	-	-	-	4,240,812
Supplies	-	-	-	-	203,546
Other services and charges	-	-	-	-	1,707,949
Debt service - principal and interest	-	-	-	-	178,316
Capital outlay	-	-	-	-	521,510
Utility operating expenses	-	-	-	-	2,381,066
Other disbursements	-	18,244	-	-	7,554,891
Total disbursements	-	18,244	-	-	16,788,090
Excess (deficiency) of receipts over disbursements	-	2	-	19,299	739,663
Cash and investments - ending	$ 243,469	$ 144,978	$ 150,000	$ 48,248	$ 6,639,701

CITY OF ELWOOD
SCHEDULE OF PAYABLES AND RECEIVABLES
December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	$ 28,310	$ -

CITY OF ELWOOD
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending	Principal and Interest Due
Type	Purpose	Principal Balance	Within One Year
Governmental activities:			
General obligation bonds	Elwood Public Building Corporation First Mortgage Refunding Bonds Series 2011	$ 6,220,000	$ 550,030
Wastewater:			
Revenue bonds	Sewage Works Revenue Bonds of 2008	487,000	12,175
Revenue bonds	Sewage Works Revenue Bonds of 2005	128,000	1,216
Total Wastewater		615,000	628,391
Water:			
Revenue bonds	Waterworks Revenue Bonds Series 2009	1,091,555	88,578
Totals		$ 7,926,555	$ 651,999

CITY OF ELWOOD
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	$ 742,960
Infrastructure	12,683,771
Buildings	8,245,653
Improvements other than buildings	775,351
Machinery, equipment and vehicles	2,683,852
Total governmental activities	25,131,587
Wastewater:	
Land	2,698
Infrastructure	8,883,063
Buildings	7,130,000
Machinery, equipment and vehicles	220,714
Total Wastewater	16,236,475
Water:	
Land	86,904
Infrastructure	8,699,765
Buildings	5,202,127
Machinery, equipment and vehicles	623,631
Total Water	14,612,427
Total capital assets	$ 55,980,489

CITY OF ELWOOD
OTHER REPORTS

The annual report presented herein was prepared in addition to other official reports prepared for the individual City offices listed below:

City Court
Park and Recreation Department

CITY OF ELWOOD
AUDIT RESULT AND COMMENT

SERVICE AND TIME RECORDS

During a review of payroll, several deficiencies were identified with service and time records as follows:

- Employee time, attendance, or service records were not presented for the dates requested for the Park Superintendent and the Animal Control Officer.

- Additional testing identified that individual timesheets certified by a supervisor and the employee were not in use for the Fire Department or Police Department. The Fire Department presented a summary of all employees hours worked for each day during a specific month, but there were no signatures certifying the hours were accurate. The Police Department presented daily logs from the shift commander, but there were no signatures certifying times were accurate each day.

- The Police Department did not present time records for officers and dispatchers from August 2011 to December 2011.

- During a review of overtime paid for the Police Department, it was noted that overtime slips used for approving and certifying the overtime worked were not always signed. During 2011, 21 percent were not signed by either the supervisor or employee and 31 percent of the slips were signed by the employee only, as both the employee receiving the overtime and the supervisor authorizing the overtime

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE CITY OF ELWOOD, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Elwood (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 2011. The City's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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 City'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. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2011. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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 significant deficiencies or material weaknesses and therefore, there is no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

The City's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

July 26, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

CITY OF ELWOOD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Pass-Through Indiana Housing and Community Development Authority			
CDBG - State-Administered CDBG Cluster			
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228		
NSPI Grant		NP1-009-022	$ 1,102,704
Total for federal grantor agency			1,102,704
U.S. DEPARTMENT OF JUSTICE			
Pass-Through Madison County			
Crime Victim Assistance	16.575		
Madison County Coalition Against Substance Abuse (MCCASA)		FY2011	7,500
Pass-Through Indiana Criminal Justice Institute			
Violence Against Women Formula Grants	16.588	09ST008	27,499
Total for federal grantor agency			34,999
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Pass-Through Indiana Finance Authority			
Capitalization Grants for Clean Water State Revolving Funds	66.458	2F-00E7-29010-0	16,142
Total for federal grantor agency			16,142
Total federal awards expended			$ 1,153,845

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF ELWOOD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Elwood (City) 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.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the City provided federal awards to subrecipients as follows for the year ended December 31, 2011:

Program Title	Federal CFDA Number	2011
State-Administered Community Development Block Grants Cluster	14.228	$ 226,610

CITY OF ELWOOD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to the financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major program:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

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

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2011-1 - 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
Federal Award Number and Year (or Other Identifying Number): NSP1-009-022
Pass-through Entity: Indiana Housing and Community Development Authority

Internal controls over cash management were not properly designed to ensure that disbursements were made before reimbursement requests were submitted. Controls in place during the audit period, allowed for reimbursements to be requested and funds received prior to accounts payable vouchers being paid. As a result, all reimbursements tested for the Neighborhood Stabilization Program were requested and received prior to disbursements being made. This was considered to be a material weakness.

24 CFR 85.21(d) states:

"Reimbursement shall be the preferred method when the requirements in paragraph (c) of this section are not met. Grantees and subgrantees may also be paid by reimbursement for any construction grants. Except as otherwise specified in regulation, Federal agencies shall not use the percentage of completion method to pay construction grants. The grantee or subgrantee may use that method to pay its construction contractor, and if it does, the awarding agency's payments to the grantee or subgrantee will be based on the grantee's or subgrantee's actual rate of disbursement."

OMB Circular A-133, Subpart C, section .300 (b) states:

"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."

Failure to comply with cash management requirements could result in denial, forfeiture, or repayment of federal awards.

We recommended that internal controls over cash management be properly designed and implemented to ensure that accounts payable vouchers are paid prior to requesting reimbursement from the grantor agency.

CITY OF ELWOOD
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reportable.

City of Elwood

1505 South B Street ♦ Elwood, IN 46036-2020
765-552-8500 ♦ 765-552-5718 Fax

Heart of Hoosierland

Finding 2011-1 – Cash Management
Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Neighborhood Stabilization Program
CFDA Number: 14.228
Auditee Contact Person: Allison M. Atwood
Title of Contact Person: Clerk-Treasurer
Completion Date: July 19, 2012

Regarding the 2011-1 – Internal controls over cash management findings the City of Elwood will be taking the following actions:

- Madison County Council of Governments Housing Administrator, Bret Lott, has be contacted and made aware of this situation.
- In the future any federal grants The City of Elwood shall receive will comply with the reimbursable funding means that a Federal Program Agency and The City of Elwood will pay any future federal claims prior to requesting reimbursement.
- The City of Elwood has exhausted all the federal grant monies for the U.S. Department of Housing and Urban Development at this time. But all future federal grants that have reimbursable claims will be paid prior.

Please contact me with any additional questions or concerns,

Allison M. Atwood

Allison M. Atwood

City of Elwood

Clerk-Treasurer

765-552-5078 (Office)

765-552-5718 (Fax)

aatwood@cityofelwood.com

CITY OF ELWOOD
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2012, with Sandra R. Brewer, former Clerk-Treasurer; Allison M. Atwood, Clerk-Treasurer; Honorable Ronald E. Arnold, Mayor; and Tim Roby, President of the Common Council. The officials concurred with our audit finding.