

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NAPOLEON
RIPLEY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
09/12/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen Rohlfing	01-01-08 to 12-31-15
President of the Town Council	Tim Brancamp	01-01-10 to 12-31-10
	Gerry Linarducci	01-01-11 to 03-31-12
	William Vankirk	04-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Town of Napoleon (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are 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 Town'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 statements. 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 opinions.

As discussed in Note 1, the Town prepares its financial statements 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. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 6, 2012, 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 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 Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

This report is intended solely for the information and use of the Town's management, Town 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

August 6, 2012



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

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

We have audited the financial statements of the Town of Napoleon (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated August 6, 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 Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

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

This report is intended solely for the information and use of the Town's management, Town 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

August 6, 2012

FINANCIAL STATEMENTS

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

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 15,528	\$ 26,516	\$ 26,415	\$ 15,629
Disaster Fund Escrow	-	55,141	-	55,141
Motor Vehicle Highway	12,239	6,211	8,778	9,672
Local Road And Street	2,074	1,170	884	2,360
Disaster 2 Grant	25,011	909,057	911,798	22,270
Riverboat	128,087	29,104	55,306	101,885
Municipal Building	38,916	-	38,916	-
Rainy Day	857	821	-	1,678
Cumulative Capital Improvement	-	697	697	-
Economic Development Income Tax	6,276	1,397	2,718	4,955
Payroll	703	18,680	18,107	1,276
Gas Utility-Operating	46,420	331	46,751	-
Sanitation	9,338	10,420	12,866	6,892
Wastewater Utility-Operating	55,123	40,999	44,612	51,510
Totals	<u>\$ 340,572</u>	<u>\$ 1,100,544</u>	<u>\$ 1,167,848</u>	<u>\$ 273,268</u>

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

TOWN OF NAPOLEON
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	\$ 15,629	\$ 25,580	\$ 25,823	\$ 15,386
Motor Vehicle Highway	9,672	6,279	7,962	7,989
Local Road And Street	2,360	1,134	1,324	2,170
Riverboat	101,885	24,089	33,528	92,446
Rainy Day	1,678	-	-	1,678
Cumulative Capital Improvement	-	683	683	-
Economic Development Income Tax	4,955	1,213	2,196	3,972
Disaster Fund Escrow	55,141	99	55,240	-
Disaster 2 Grant	22,270	37,312	59,512	70
Payroll	1,276	24,088	24,128	1,236
Sanitation	6,892	13,413	12,336	7,969
Wastewater Utility-Operating	51,510	41,080	38,394	54,196
Totals	<u>\$ 273,268</u>	<u>\$ 174,970</u>	<u>\$ 261,126</u>	<u>\$ 187,112</u>

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

TOWN OF NAPOLEON
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

The accompanying financial statements present the financial information for the Town.

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the 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 statements. The aggregate receipts include the following sources:

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

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: park rental fees, ordinance violations, fines and fees, and court costs.

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

TOWN OF NAPOLEON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

E. Disbursements

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

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

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

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

TOWN OF NAPOLEON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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; and natural disasters.

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

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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

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

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

	General	Disaster Fund Escrow	Motor Vehicle Highway	Local Road And Street	Disaster 2 Grant	Riverboat	Municipal Building	Rainy Day
Cash and investments - beginning	\$ 15,528	\$ -	\$ 12,239	\$ 2,074	\$ 25,011	\$ 128,087	\$ 38,916	\$ 857
Receipts:								
Taxes	9,675	-	-	1,170	-	-	-	-
Intergovernmental	8,183	55,141	6,211	-	909,057	27,986	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	8,658	-	-	-	-	1,118	-	821
Total receipts	<u>26,516</u>	<u>55,141</u>	<u>6,211</u>	<u>1,170</u>	<u>909,057</u>	<u>29,104</u>	<u>-</u>	<u>821</u>
Disbursements:								
Personal services	7,880	-	1,270	-	-	-	-	-
Supplies	4,316	-	-	-	-	-	-	-
Other services and charges	14,219	-	7,508	884	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	911,798	55,306	38,916	-
Total disbursements	<u>26,415</u>	<u>-</u>	<u>8,778</u>	<u>884</u>	<u>911,798</u>	<u>55,306</u>	<u>38,916</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>101</u>	<u>55,141</u>	<u>(2,567)</u>	<u>286</u>	<u>(2,741)</u>	<u>(26,202)</u>	<u>(38,916)</u>	<u>821</u>
Cash and investments - ending	<u>\$ 15,629</u>	<u>\$ 55,141</u>	<u>\$ 9,672</u>	<u>\$ 2,360</u>	<u>\$ 22,270</u>	<u>\$ 101,885</u>	<u>\$ -</u>	<u>\$ 1,678</u>

TOWN OF NAPOLEON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Cumulative Capital Improvement	Economic Development Income Tax	Payroll	Gas Utility-Operating	Sanitation	Wastewater Utility-Operating	Totals
Cash and investments - beginning	\$ -	\$ 6,276	\$ 703	\$ 46,420	\$ 9,338	\$ 55,123	\$ 340,572
Receipts:							
Taxes	-	-	-	-	-	-	10,845
Intergovernmental	697	1,397	-	-	-	-	1,008,672
Utility fees	-	-	-	30	10,293	38,790	49,113
Other receipts	-	-	18,680	301	127	2,209	31,914
Total receipts	<u>697</u>	<u>1,397</u>	<u>18,680</u>	<u>331</u>	<u>10,420</u>	<u>40,999</u>	<u>1,100,544</u>
Disbursements:							
Personal services	-	-	-	-	-	-	9,150
Supplies	-	-	-	-	-	-	4,316
Other services and charges	-	2,718	-	-	-	-	25,329
Utility operating expenses	-	-	-	41,751	-	44,612	86,363
Other disbursements	697	-	18,107	5,000	12,866	-	1,042,690
Total disbursements	<u>697</u>	<u>2,718</u>	<u>18,107</u>	<u>46,751</u>	<u>12,866</u>	<u>44,612</u>	<u>1,167,848</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(1,321)</u>	<u>573</u>	<u>(46,420)</u>	<u>(2,446)</u>	<u>(3,613)</u>	<u>(67,304)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 4,955</u>	<u>\$ 1,276</u>	<u>\$ -</u>	<u>\$ 6,892</u>	<u>\$ 51,510</u>	<u>\$ 273,268</u>

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

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Rainy Day	Cumulative Capital Improvement	Economic Development Income Tax
Cash and investments - beginning	\$ 15,629	\$ 9,672	\$ 2,360	\$ 101,885	\$ 1,678	\$ -	\$ 4,955
Receipts:							
Taxes	13,613	-	-	-	-	683	-
Intergovernmental	4,251	6,279	1,134	23,455	-	-	1,213
Charges for services	6,959	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	757	-	-	634	-	-	-
Total receipts	<u>25,580</u>	<u>6,279</u>	<u>1,134</u>	<u>24,089</u>	<u>-</u>	<u>683</u>	<u>1,213</u>
Disbursements:							
Personal services	8,180	1,385	-	-	-	-	2,196
Supplies	2,105	-	-	-	-	-	-
Other services and charges	15,538	6,577	1,324	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	33,528	-	683	-
Total disbursements	<u>25,823</u>	<u>7,962</u>	<u>1,324</u>	<u>33,528</u>	<u>-</u>	<u>683</u>	<u>2,196</u>
Excess (deficiency) of receipts over disbursements	<u>(243)</u>	<u>(1,683)</u>	<u>(190)</u>	<u>(9,439)</u>	<u>-</u>	<u>-</u>	<u>(983)</u>
Cash and investments - ending	<u>\$ 15,386</u>	<u>\$ 7,989</u>	<u>\$ 2,170</u>	<u>\$ 92,446</u>	<u>\$ 1,678</u>	<u>\$ -</u>	<u>\$ 3,972</u>

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

	Disaster Fund Escrow	Disaster 2 Grant	Payroll	Sanitation	Wastewater Utility-Operating	Totals
Cash and investments - beginning	\$ 55,141	\$ 22,270	\$ 1,276	\$ 6,892	\$ 51,510	\$ 273,268
Receipts:						
Taxes	-	-	-	-	-	14,296
Intergovernmental	-	37,312	-	-	-	73,644
Charges for services	-	-	-	13,334	-	20,293
Utility fees	-	-	-	-	40,228	40,228
Other receipts	99	-	24,088	79	852	26,509
Total receipts	99	37,312	24,088	13,413	41,080	174,970
Disbursements:						
Personal services	-	-	24,128	2,153	-	38,042
Supplies	-	-	-	578	-	2,683
Other services and charges	-	-	-	9,605	-	33,044
Utility operating expenses	-	-	-	-	38,394	38,394
Other disbursements	55,240	59,512	-	-	-	148,963
Total disbursements	55,240	59,512	24,128	12,336	38,394	261,126
Excess (deficiency) of receipts over disbursements	(55,141)	(22,200)	(40)	1,077	2,686	(86,156)
Cash and investments - ending	\$ -	\$ 70	\$ 1,236	\$ 7,969	\$ 54,196	\$ 187,112

TOWN OF NAPOLEON
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	\$ 10,000
Buildings	394,029
Improvements other than buildings	61,160
Machinery, equipment and vehicles	15,645
Books and other	10,000
Total governmental activities	490,834
Trash:	
Total Trash	-
Wastewater:	
Buildings	1,265
Improvements other than buildings	968,769
Total Wastewater	970,034
Total capital assets	\$ 1,460,868

TOWN OF NAPOLEON
AUDIT RESULT AND COMMENT

LACK OF SEGREGATION OF DUTIES

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

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to town receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and remain undetected.

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

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

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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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 TOWN OF NAPOLEON, RIPLEY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Napoleon (Town) 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 years ended December 31, 2010 and 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town'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 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town 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 Town'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 Town'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)

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.

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

This report is intended solely for the information and use of the Town's management, Town 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

August 6, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF NAPOLEON
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For The Years Ended December 31, 2010 and 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 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass through Indiana Office of Community and Rural Affairs				
CDBG-State Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228			
Storm Water System Improvements		DR2-09-017	\$ 909,057	\$ 37,312

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

TOWN OF NAPOLEON
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 Napoleon and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF NAPOLEON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

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? no

Section II – Financial Statement Findings

FINDING 2011-1 - INTERNAL CONTROLS-LACK OF SEGREGATION OF DUTIES

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

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

Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to achievement of financial reporting objectives. The Town has not separated incompatible activities related to Town receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to occur and remain undetected.

Segregation of duties is the concept of having different people do different tasks within the organization. Segregation of duties provides the foundation of good internal control by assuring that no one individual is in a position to perpetuate and conceal errors or irregularities in the normal course of their authorized duties. Compensating controls are safeguards put in place to mitigate the effects of the lack of segregation of duties.

The lack of segregation is caused by the Town having a small staff that limits the Town's ability to segregate accounting duties.

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.

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We recommended Town officials enhance their segregation of accounting duties or implement compensating controls.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF NAPOLEON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Town of Napoleon

Po Box 47

Napoleon, In 47034

CORRECTIVE ACTION PLAN

Finding Number 2011-1, Internal Controls-Lack of Segregation of Duties

Contact Person: Karen Rohlfing

Title: Clerk Treasurer

Phone Number: 812-852-4002


The purpose of this document is to serve as an attachment and response to the Town of Napoleon Audit, completed in July of 2012.

On behalf of the Town of Napoleon, council and clerk treasurer, I thank the auditors for their time and expertise in conducting this audit. We appreciate all comments that are shared with us on our operations of our small town.

Finding Number 2011-1, Internal Controls, Lack of Segregation of Duties

The town council will review and implement procedures to review all bank statements, outstanding items and verify information is complete. However, management has determined that the cost of additional employment of a staff member, to help provide segregation of duties, is not feasible to our small town and budget. Management acknowledges and assumes the risks inherent in the internal control structure.

Respectfully,



William Vankirk

Council President

July 23, 2012

TOWN OF NAPOLEON
EXIT CONFERENCE

The contents of this report were discussed on August 6, 2012, with Karen Rohlfing, Clerk-Treasurer, and William Vankirk, President of the Town Council.