

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF STAUNTON

CLAY 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 | Catherine Mienheartt | 01-01-08 to 12-31-15 |
| President of the Town Council | William A. Kirchner | 01-01-10 to 12-31-12 |
| Superintendent of Water Utility | Jacob Raubuch | 01-01-10 to 12-31-12 |
| Superintendent of Wastewater Utility | Shirley Jolly | 01-01-10 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 STAUNTON, CLAY COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Staunton (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 13, 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.

Our audit was conducted for the purpose of forming opinions 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming opinions on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Leases and Debt, 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 13, 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 STAUNTON, CLAY COUNTY, INDIANA

We have audited the financial statements of the Town of Staunton (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated August 13, 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.

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.

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 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.

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 13, 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 STAUNTON
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 | \$ 37,625 | \$ 49,443 | \$ 48,465 | \$ 38,603 |
| Motor Vehicle Highway | 43,425 | 15,367 | 15,666 | 43,126 |
| Local Road And Street | 7,862 | 5,606 | 2,937 | 10,531 |
| Law Enforcement Continuing Ed | 343 | 222 | 135 | 430 |
| Riverboat | 5,846 | 3,442 | 5,426 | 3,862 |
| Community Building/Center | - | 18,488 | 6,822 | 11,666 |
| Rainy Day | 203 | 544 | - | 747 |
| Levy Excess | 1,360 | 82 | - | 1,442 |
| Loit-Public Safety | - | 4,470 | - | 4,470 |
| Community Center Grant Fund | - | 477,275 | 477,275 | - |
| Storm Sewer Nonreverting (Cap. Exp) | - | 666,334 | 637,537 | 28,797 |
| Cumulative Capital Improvement | 16,154 | 1,611 | - | 17,765 |
| Payroll | 1,476 | 104,758 | 104,901 | 1,333 |
| Wastewater Utility-Operating | 76,157 | 129,519 | 152,924 | 52,752 |
| Wastewater Util-Bond And Interest | 32,234 | 54,170 | 48,868 | 37,536 |
| Wastewater Utility-Deprec/Improve | 4,525 | - | - | 4,525 |
| Wastewater Utility-Construction | 898 | - | 898 | - |
| Water Utility-Operating | 92,237 | 175,378 | 197,851 | 69,764 |
| Water Utility-Bond And Interest | 56,256 | 62,400 | 49,385 | 69,271 |
| Water Utility-Depreciation/Improve | 768 | 2,250 | - | 3,018 |
| Water Utility-Customer Deposit | 21,982 | 890 | 930 | 21,942 |
| Water Utility-Construction Grant | 68,594 | 174 | 57,137 | 11,631 |
| Water Utility-Construction | 8,184 | 18,002 | - | 26,186 |
| Totals | <u>\$ 476,129</u> | <u>\$ 1,790,425</u> | <u>\$ 1,807,157</u> | <u>\$ 459,397</u> |

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

TOWN OF STAUNTON
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 | \$ 38,603 | \$ 44,624 | \$ 45,962 | \$ 37,265 |
| Motor Vehicle Highway | 43,126 | 14,605 | 13,788 | 43,943 |
| Local Road And Street | 10,531 | 3,269 | 3,508 | 10,292 |
| Law Enforcement Continuing Ed | 430 | 161 | - | 591 |
| Riverboat | 3,862 | 3,442 | - | 7,304 |
| Rainy Day | 747 | - | - | 747 |
| Levy Excess | 1,442 | - | - | 1,442 |
| Storm Sewer Nonreverting (Cap. Exp) | 28,797 | 272,388 | 296,725 | 4,460 |
| Cumulative Capital Improvement | 17,765 | 1,579 | - | 19,344 |
| Community Building/Center | 11,666 | 10,279 | 12,021 | 9,924 |
| Loit-Public Safety | 4,470 | 4,143 | - | 8,613 |
| Payroll | 1,333 | 98,367 | 98,532 | 1,168 |
| Wastewater Utility-Operating | 52,752 | 130,316 | 140,975 | 42,093 |
| Wastewater Util-Bond And Interest | 37,536 | 49,655 | 53,583 | 33,608 |
| Wastewater Utility-Deprec/Improve | 4,525 | 500 | 2,000 | 3,025 |
| Water Utility Construction Grant | 11,631 | - | - | 11,631 |
| Water Utility-Operating | 69,764 | 177,014 | 190,398 | 56,380 |
| Water Utility-Bond And Interest | 69,271 | 62,400 | 87,012 | 44,659 |
| Water Utility-Depreciation/Improve | 3,018 | - | 2,000 | 1,018 |
| Water Utility-Customer Deposit | 21,942 | 915 | 225 | 22,632 |
| Water Utility-Construction | 26,186 | 13,514 | - | 39,700 |
| Totals | <u>\$ 459,397</u> | <u>\$ 887,171</u> | <u>\$ 946,729</u> | <u>\$ 399,839</u> |

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

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, storm water, and urban redevelopment.

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 may include the following sources:

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

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

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

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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

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

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF STAUNTON
NOTES TO FINANCIAL STATEMENTS
(Continued)

Note 4. *Deposits and Investments*

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

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

Note 5. *Risk Management*

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

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

| | General | Motor Vehicle Highway | Local Road And Street | Law Enforcement Continuing Ed | Riverboat | Community Building/Center |
|--|------------------|-----------------------------|--------------------------------|--|-----------------|------------------------------|
| Cash and investments - beginning | \$ 37,625 | \$ 43,425 | \$ 7,862 | \$ 343 | \$ 5,846 | \$ - |
| Receipts: | | | | | | |
| Taxes | 24,946 | - | - | - | - | - |
| Licenses and permits | - | - | - | 170 | - | - |
| Intergovernmental | 19,041 | 14,452 | 3,166 | - | 3,442 | - |
| Fines and forfeits | - | - | - | 52 | - | - |
| Utility fees | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - |
| Other receipts | 5,456 | 915 | 2,440 | - | - | 18,488 |
| Total receipts | <u>49,443</u> | <u>15,367</u> | <u>5,606</u> | <u>222</u> | <u>3,442</u> | <u>18,488</u> |
| Disbursements: | | | | | | |
| Personal services | 20,946 | 9,085 | - | - | - | - |
| Supplies | 6,429 | 2,792 | - | - | - | - |
| Other services and charges | 19,566 | 3,789 | 2,937 | 135 | 5,426 | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | 1,524 | - | - | - | - | 6,822 |
| Total disbursements | <u>48,465</u> | <u>15,666</u> | <u>2,937</u> | <u>135</u> | <u>5,426</u> | <u>6,822</u> |
| Excess (deficiency) of receipts over disbursements | <u>978</u> | <u>(299)</u> | <u>2,669</u> | <u>87</u> | <u>(1,984)</u> | <u>11,666</u> |
| Cash and investments - ending | <u>\$ 38,603</u> | <u>\$ 43,126</u> | <u>\$ 10,531</u> | <u>\$ 430</u> | <u>\$ 3,862</u> | <u>\$ 11,666</u> |

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

| | Rainy Day | Levy Excess | Loit-Public Safety | Community Center Grant Fund | Storm Sewer Nonreverting (Cap. Exp) | Cumulative Capital Improvement |
|--|---------------|-----------------|-----------------------|--------------------------------------|---|--------------------------------------|
| Cash and investments - beginning | \$ 203 | \$ 1,360 | \$ - | \$ - | \$ - | \$ 16,154 |
| Receipts: | | | | | | |
| Taxes | 544 | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | 1,611 |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - |
| Other receipts | - | 82 | 4,470 | 477,275 | 666,334 | - |
| Total receipts | <u>544</u> | <u>82</u> | <u>4,470</u> | <u>477,275</u> | <u>666,334</u> | <u>1,611</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | - | - | - | 477,275 | 637,537 | - |
| Total disbursements | <u>-</u> | <u>-</u> | <u>-</u> | <u>477,275</u> | <u>637,537</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>544</u> | <u>82</u> | <u>4,470</u> | <u>-</u> | <u>28,797</u> | <u>1,611</u> |
| Cash and investments - ending | <u>\$ 747</u> | <u>\$ 1,442</u> | <u>\$ 4,470</u> | <u>\$ -</u> | <u>\$ 28,797</u> | <u>\$ 17,765</u> |

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

| | Payroll | Wastewater Utility-Operating | Wastewater Util-Bond And Interest | Wastewater Utility-Deprec/Improve | Wastewater Utility-Construction | Water Utility-Operating |
|--|-----------------|---------------------------------|--|--------------------------------------|------------------------------------|----------------------------|
| Cash and investments - beginning | \$ 1,476 | \$ 76,157 | \$ 32,234 | \$ 4,525 | \$ 898 | \$ 92,237 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - |
| Utility fees | - | 127,520 | - | - | - | 152,547 |
| Penalties | - | 1,650 | - | - | - | 1,857 |
| Other receipts | 104,758 | 349 | 54,170 | - | - | 20,974 |
| Total receipts | <u>104,758</u> | <u>129,519</u> | <u>54,170</u> | <u>-</u> | <u>-</u> | <u>175,378</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | - |
| Supplies | - | - | - | - | - | - |
| Other services and charges | - | - | - | - | - | - |
| Debt service - principal and interest | - | - | 48,868 | - | - | - |
| Utility operating expenses | - | 98,755 | - | - | 898 | 104,761 |
| Other disbursements | 104,901 | 54,169 | - | - | - | 93,090 |
| Total disbursements | <u>104,901</u> | <u>152,924</u> | <u>48,868</u> | <u>-</u> | <u>898</u> | <u>197,851</u> |
| Excess (deficiency) of receipts over disbursements | <u>(143)</u> | <u>(23,405)</u> | <u>5,302</u> | <u>-</u> | <u>(898)</u> | <u>(22,473)</u> |
| Cash and investments - ending | <u>\$ 1,333</u> | <u>\$ 52,752</u> | <u>\$ 37,536</u> | <u>\$ 4,525</u> | <u>\$ -</u> | <u>\$ 69,764</u> |

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

| | Water Utility-Bond And Interest | Water Utility-Depreciation/Improve | Water Utility-Customer Deposit | Water Utility-Construction Grant | Water Utility-Construction | Totals |
|--|--|---------------------------------------|--------------------------------------|--|-------------------------------|-------------------|
| Cash and investments - beginning | \$ 56,256 | \$ 768 | \$ 21,982 | \$ 68,594 | \$ 8,184 | \$ 476,129 |
| Receipts: | | | | | | |
| Taxes | - | - | - | - | - | 25,490 |
| Licenses and permits | - | - | - | - | - | 170 |
| Intergovernmental | - | - | - | - | - | 41,712 |
| Fines and forfeits | - | - | - | - | - | 52 |
| Utility fees | - | - | - | - | - | 280,067 |
| Penalties | - | - | - | - | - | 3,507 |
| Other receipts | 62,400 | 2,250 | 890 | 174 | 18,002 | 1,439,427 |
| Total receipts | <u>62,400</u> | <u>2,250</u> | <u>890</u> | <u>174</u> | <u>18,002</u> | <u>1,790,425</u> |
| Disbursements: | | | | | | |
| Personal services | - | - | - | - | - | 30,031 |
| Supplies | - | - | - | - | - | 9,221 |
| Other services and charges | - | - | - | - | - | 31,853 |
| Debt service - principal and interest | 49,385 | - | - | - | - | 98,253 |
| Utility operating expenses | - | - | 930 | - | - | 205,344 |
| Other disbursements | - | - | - | 57,137 | - | 1,432,455 |
| Total disbursements | <u>49,385</u> | <u>-</u> | <u>930</u> | <u>57,137</u> | <u>-</u> | <u>1,807,157</u> |
| Excess (deficiency) of receipts over disbursements | <u>13,015</u> | <u>2,250</u> | <u>(40)</u> | <u>(56,963)</u> | <u>18,002</u> | <u>(16,732)</u> |
| Cash and investments - ending | <u>\$ 69,271</u> | <u>\$ 3,018</u> | <u>\$ 21,942</u> | <u>\$ 11,631</u> | <u>\$ 26,186</u> | <u>\$ 459,397</u> |

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

| | General | Motor Vehicle Highway | Local Road And Street | Law Enforcement Continuing Ed | Riverboat | Rainy Day | Levy Excess | Storm Sewer Nonreverting (Cap. Exp) |
|--|-----------|-----------------------------|--------------------------------|--|-----------|--------------|----------------|---|
| Cash and investments - beginning | \$ 38,603 | \$ 43,126 | \$ 10,531 | \$ 430 | \$ 3,862 | \$ 747 | \$ 1,442 | \$ 28,797 |
| Receipts: | | | | | | | | |
| Taxes | 24,071 | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | 161 | - | - | - | - |
| Intergovernmental | 18,497 | 14,605 | 3,079 | - | 3,442 | - | - | - |
| Charges for services | 1,303 | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - | - | - |
| Other receipts | 753 | - | 190 | - | - | - | - | 272,388 |
| Total receipts | 44,624 | 14,605 | 3,269 | 161 | 3,442 | - | - | 272,388 |
| Disbursements: | | | | | | | | |
| Personal services | 20,946 | 9,855 | - | - | - | - | - | - |
| Supplies | 3,756 | 992 | 3,508 | - | - | - | - | - |
| Other services and charges | 20,801 | 2,941 | - | - | - | - | - | 296,586 |
| Debt service - principal and interest | - | - | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - | - |
| Other disbursements | 459 | - | - | - | - | - | - | 139 |
| Total disbursements | 45,962 | 13,788 | 3,508 | - | - | - | - | 296,725 |
| Excess (deficiency) of receipts over disbursements | (1,338) | 817 | (239) | 161 | 3,442 | - | - | (24,337) |
| Cash and investments - ending | \$ 37,265 | \$ 43,943 | \$ 10,292 | \$ 591 | \$ 7,304 | \$ 747 | \$ 1,442 | \$ 4,460 |

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

| | Cumulative Capital Improvement | Community Building/Center | Loit-Public Safety | Payroll | Wastewater Utility-Operating | Wastewater Util-Bond And Interest | Wastewater Utility-Deprec/Improve |
|--|--------------------------------------|------------------------------|-----------------------|----------|---------------------------------|--|--------------------------------------|
| Cash and investments - beginning | \$ 17,765 | \$ 11,666 | \$ 4,470 | \$ 1,333 | \$ 52,752 | \$ 37,536 | \$ 4,525 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 1,579 | - | 4,143 | - | - | - | - |
| Charges for services | - | 2,599 | - | - | - | - | - |
| Utility fees | - | - | - | - | 127,101 | - | - |
| Penalties | - | - | - | - | - | - | - |
| Other receipts | - | 7,680 | - | 98,367 | 3,215 | 49,655 | 500 |
| Total receipts | 1,579 | 10,279 | 4,143 | 98,367 | 130,316 | 49,655 | 500 |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | - |
| Supplies | - | 3,983 | - | - | - | - | - |
| Other services and charges | - | 8,015 | - | - | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | 49,400 | - |
| Utility operating expenses | - | - | - | - | 84,431 | 4,183 | 2,000 |
| Other disbursements | - | 23 | - | 98,532 | 56,544 | - | - |
| Total disbursements | - | 12,021 | - | 98,532 | 140,975 | 53,583 | 2,000 |
| Excess (deficiency) of receipts over disbursements | 1,579 | (1,742) | 4,143 | (165) | (10,659) | (3,928) | (1,500) |
| Cash and investments - ending | \$ 19,344 | \$ 9,924 | \$ 8,613 | \$ 1,168 | \$ 42,093 | \$ 33,608 | \$ 3,025 |

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

| | Water Utility Construction Grant | Water Utility-Operating | Water Utility-Bond And Interest | Water Utility-Depreciation/Improve | Water Utility-Customer Deposit | Water Utility-Construction | Totals |
|--|---|----------------------------|--|---------------------------------------|--------------------------------------|-------------------------------|------------|
| Cash and investments - beginning | \$ 11,631 | \$ 69,764 | \$ 69,271 | \$ 3,018 | \$ 21,942 | \$ 26,186 | \$ 459,397 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | 24,071 |
| Licenses and permits | - | - | - | - | - | - | 161 |
| Intergovernmental | - | - | - | - | - | - | 45,345 |
| Charges for services | - | - | - | - | - | - | 3,902 |
| Utility fees | - | 162,603 | - | - | - | - | 289,704 |
| Penalties | - | 1,928 | - | - | - | - | 1,928 |
| Other receipts | - | 12,483 | 62,400 | - | 915 | 13,514 | 522,060 |
| Total receipts | - | 177,014 | 62,400 | - | 915 | 13,514 | 887,171 |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | - | - | - | 30,801 |
| Supplies | - | - | - | - | - | - | 12,239 |
| Other services and charges | - | - | - | - | - | - | 328,343 |
| Debt service - principal and interest | - | - | 57,720 | - | - | - | 107,120 |
| Utility operating expenses | - | 100,394 | 28,692 | 2,000 | - | - | 221,700 |
| Other disbursements | - | 90,004 | 600 | - | 225 | - | 246,526 |
| Total disbursements | - | 190,398 | 87,012 | 2,000 | 225 | - | 946,729 |
| Excess (deficiency) of receipts over disbursements | - | (13,384) | (24,612) | (2,000) | 690 | 13,514 | (59,558) |
| Cash and investments - ending | \$ 11,631 | \$ 56,380 | \$ 44,659 | \$ 1,018 | \$ 22,632 | \$ 39,700 | \$ 399,839 |

TOWN OF STAUNTON
SCHEDULE OF LEASES AND DEBT
December 31, 2011

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|-------------------------|---------------------------|--------------------------------|---|
| Type | Purpose | | |
| Staunton Wastewater: | | | |
| Notes and loans payable | UPGRADE WASTEWATER SYSTEM | \$ 868,000 | \$ 49,400 |
| Staunton Water: | | | |
| Revenue bonds | WATER PROJECT | 625,000 | 52,718 |
| Notes and loans payable | HARRIS WATER IMPROVEMENT | 4,834 | 5,003 |
| Total Staunton Water | | 629,834 | 57,721 |
| Totals | | \$ 1,497,834 | \$ 107,121 |

TOWN OF STAUNTON
 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.

| | <u>Ending Balance</u> |
|-----------------------------------|----------------------------|
| Governmental activities: | |
| Buildings | \$ 516,555 |
| Machinery, equipment and vehicles | <u>34,874</u> |
| Total governmental activities | <u>551,429</u> |
| Staunton Wastewater: | |
| Infrastructure | 80,174 |
| Buildings | 1,498,790 |
| Machinery, equipment and vehicles | <u>45,939</u> |
| Total Staunton Wastewater | <u>1,624,903</u> |
| Staunton Water: | |
| Infrastructure | 774,462 |
| Buildings | 266,861 |
| Machinery, equipment and vehicles | <u>295,112</u> |
| Total Staunton Water | <u>1,336,435</u> |
| Total capital assets | <u><u>\$ 3,512,767</u></u> |

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS

OFFICIAL BONDS (Applies to Town)

The following official bonds were not filed in the Office of the County Recorder for 2011:

Catherine L. Mienheartt, Clerk-Treasurer
Andy Kirchner, Town Council
Ed Nevins, Town Council
Brad Webster, Town Council
Charles Jones, Town Marshal

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

PRESCRIBED FORMS (Applies to Town)

As stated in the prior Report B37579, the following prescribed or approved form was not in use:

General Form 350 - Register of Investments

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)

BOARD MINUTES (Applies to Town)

Board minutes of meetings of the Town Council between April 12, 2010 and October 11, 2010, were not available for audit.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT ACCOUNTS RECEIVABLE (Applies to Water Utility)

As stated in the prior Report B37579, the Town has an ordinance establishing the shutoff policy for delinquent customers. In the event service charges are not paid on or before the sixteenth day of the second succeeding calendar month following the month service is furnished, the water service of the users so in default shall be discontinued after three days of written notice. The Water Utility did not always shut off delinquent customers as required by the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX (Applies to Water Utility)

As noted in prior Report B37579, the Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to City and Utilities)

In some cases, amounts payable to the Indiana Department of Revenue for monthly sales tax are not being paid by the required deadlines.

Penalties and interest totaling \$288.32 were paid to the Indiana Department of Revenue on January 27, 2011, for the late remittance of the sales tax due for the months of June, July, and August 2010.

Penalty and interest totaling \$44.29 was paid to the Indiana Department of Revenue on February 3, 2010, for the 2009 tax year.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger as of December 31, 2011.

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

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

As noted in prior Report B37579, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . .

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

WASTEWATER UTILITY LATE FEES (Applies to Wastewater Utility)

As noted in prior Report B37579, contrary to Indiana Code, the Wastewater Utility charged late penalties on delinquent accounts of 10 percent of the first six dollars owed and 3 percent on all amounts over six dollars. The Indiana Code requires the penalty to be a one-time assessment of 10 percent of the total amount of the delinquent fees.

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 36-9-23-31 states in part: "If fees assessed...are not paid within the time fixed by the municipal legislative body, they are delinquent. A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees."

TRAVEL POLICY (Applies to Water and Wastewater Utilities)

Travel reimbursement was paid to the Clerk-Treasurer, Catherine Mienheartt, during 2010 and 2011 without an adopted written travel policy being available for audit.

The total paid for the Clerk-Treasurer's mileage was \$726.54 and \$544.10 in 2010 and 2011, respectfully.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACT NOT AVAILABLE FOR REVIEW (Applies to Wastewater Utility)

A contract was not made available for review for monthly payments to the President of the Town Council, Andy Kirchner, for a cell phone. Board minutes dated April 11, 2005, did indicate that the Town Council had given permission to reimburse the President of the Town Council for the amount that his cell phone bill exceeded his base plan. However, the Town is paying him a flat \$100 per month for a total of \$1,200 in 2010 and \$1,200 and 2011.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., 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)

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DEBIT CARD PURCHASES

The Town of Staunton uses a bank debit card to purchase items without using a check or warrant. An audit of debit card transactions revealed that some purchases were made without supporting documentation, were not included on the claims register for board approval and were not always posted to the financial records of the Town.

TOWN OF STAUNTON
AUDIT RESULTS AND COMMENTS
(Continued)

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, tickets, 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
Fax: (317) 232-4711
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 TOWN OF STAUNTON, CLAY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Staunton (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 13, 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 STAUNTON
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 | | | |
| Disaster Recovery Assistance Grant | | DR2-09-025 | \$ 636,568 | \$ 272,259 |
| Supplemental Disaster Grant | | | 2,440 | - |
| Community Center Project | | CF-09-125 | <u>371,900</u> | <u>-</u> |
| Total for federal grantor agency | | | <u>1,010,908</u> | <u>272,259</u> |
| <u>U.S. DEPARTMENT OF HOMELAND SECURITY</u> | | | | |
| Pass-Through Indiana Office of Community and Rural Affairs | | | | |
| Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 97.036 | | <u>1,607</u> | <u>-</u> |
| Total federal awards expended | | | <u>\$ 1,012,515</u> | <u>\$ 272,259</u> |

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

TOWN OF STAUNTON
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 Staunton 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 STAUNTON
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? | no |
| Significant deficiency identified? | none reported |
| Noncompliance material to financial statements noted? | no |

Federal Awards:

| | |
|--|---------------|
| Internal control over major program: | |
| Material weaknesses identified? | no |
| 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? | no |

Identification of Major Program:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|---|
| 14.228 | Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii |

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

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF STAUNTON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF STAUNTON
EXIT CONFERENCE

The contents of this report were discussed on August 13, 2012, with Catherine Mienheartt, Clerk-Treasurer, and Ed Nevins, Town Council member. The officials concurred with our audit findings.