

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF ODON
DAVISS COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
08/19/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Opal McDannald	01-01-11 to 05-27-11
	Lori Bechtel	05-28-11 to 06-12-11
	Beth Haseman	06-13-11 to 12-31-15
President of the Town Council	Keith Bechtel	01-01-11 to 12-31-11
	John Myers	01-01-12 to 12-31-12
	Keith Bechtel	01-01-13 to 02-20-13
	Thomas K. Noble	02-21-13 to 12-31-13
Superintendent of Water Utility	Jeremy Wesner	01-01-11 to 03-31-11
	(Vacant)	04-01-11 to 03-31-12
	Doug Benjamin	04-01-12 to 12-31-13
Superintendent of Wastewater Utility	Jeremy Wesner	01-01-11 to 03-31-11
	(Vacant)	04-01-11 to 06-09-11
	Chuck Krieg	06-10-11 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

Report on the Financial Statement

We were engaged to audit the accompanying financial statement of the Town of Odon (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the financial reporting provisions of the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6). Management is responsible for and has determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

Basis for Disclaimer of Opinion

The Town did not properly maintain accounting records which lead to an inability to obtain sufficient competent evidential matter to verify if the financial statement is fairly stated. The Town's records do not permit the application of other auditing procedures to ascertain if the financial statement is fairly stated.

Disclaimer of Opinion

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated July 11, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to any auditing procedures and, accordingly, we express no opinion on them.



Bruce Hartman
State Examiner

July 11, 2013



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

TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

We were engaged to audit, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Odon (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 11, 2013. We did not express an opinion on the financial statement as a result of the Town not properly maintaining accounting records which lead to an inability to obtain sufficient competent evidential matter to verify if the financial statement is fairly stated.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2 to be material weaknesses.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-1 and 2012-2.

Town of Odon's Response to Findings

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

Purpose of This Report

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



Bruce Hartman
State Examiner

July 11, 2013

FINANCIAL STATEMENT

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

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TOWN OF ODON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General Fund	\$ 119,727	\$ 410,974	\$ 470,544	\$ 60,157	\$ 260,151	\$ 314,238	\$ 6,070
Mvh	53,993	396,308	394,438	55,863	46,780	20,715	81,928
L.Rds.& St	11,631	18,933	18,933	11,091	5,980	149	16,922
Cef Fund	15,723	20,150	16,049	19,824	1,278	2,627	18,475
Riverboat Fund	16,722	18,246	16,722	18,246	8,021	-	26,267
Park Fund	5,490	13,703	18,859	334	16,313	21,807	(5,160)
Fire Protection	49,329	27,254	41,016	35,567	18,124	20,397	33,294
Rainy Day Fund	1,399	1,435	1,408	1,426	1,331	-	2,757
Levy Excess	502	-	502	-	-	-	-
Ccd	26,474	21,641	23,057	25,058	7,843	11,676	21,225
Park Nonreverting Fund	922	3,938	1,113	3,747	1,835	-	5,582
Edit Tax	22,621	20,809	20,027	23,403	13,120	-	36,523
Cci	6,046	3,952	6,046	3,952	3,591	-	7,543
Cash Fund	35	-	-	35	-	-	35
Park Community Building	25,680	23,400	27,030	22,050	10,450	10,228	22,272
Odon Housing	2,000	10,347	12,347	-	-	-	-
Odon Street Light Fund	2,141	1,139	-	3,280	125	500	2,905
Payroll Fund	2,608	-	2,393	215	-	-	215
Payroll Pepsco	212	1,370	1,112	470	637	-	1,107
Payroll Perf	1,618	6,919	6,437	2,100	-	-	2,100
Payroll Federal Withholdings	1,507	19,541	8,758	12,290	-	-	12,290
Payroll State & County	(605)	12,719	8,296	3,818	-	-	3,818
Payroll Health Ins	923	187	917	193	-	-	193
Payroll Fica/Med	1,884	15,360	15,749	1,495	-	-	1,495
Payroll Daviess County Clerk	(100)	2,755	2,655	-	-	-	-
Net Payroll	(3,712)	245,825	242,112	1	257,686	257,686	1
Payroll Life Insurance	8	25	-	33	-	-	33
Payroll Aflac	(53)	53	-	-	-	-	-
Payroll Tax Autodraft	(1,387)	92,728	91,341	-	69,164	69,164	-
Sewage Operating	389,168	710,935	704,602	395,501	229,337	202,088	422,750
Sewage Bond & Interest	40,511	158	-	40,669	199	-	40,868
Water Operating	428,874	1,385,560	1,405,332	409,102	313,090	391,206	330,986
Water Bond & Interest	66,885	151,100	148,588	69,397	74,768	74,768	69,397
Water Deposits	11,333	5,100	1,317	15,116	5,000	6,720	13,396
Water Reserve Savings	28,344	11	-	28,355	-	-	28,355
Totals	\$ 1,328,453	\$ 3,642,035	\$ 3,707,700	\$ 1,262,788	\$ 1,344,823	\$ 1,403,969	\$ 1,203,642

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

TOWN OF ODON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the 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 ODON
NOTES TO FINANCIAL STATEMENT
(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 statement. The aggregate disbursements include the following uses:

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

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

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

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

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

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

TOWN OF ODON
NOTES TO FINANCIAL STATEMENT
(Continued)

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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.

TOWN OF ODOM
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of the fund having more expenditures than receipts available to spend.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual 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 ODON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General Fund	Mvh	L.Rds.& St	Cef Fund	Riverboat Fund	Park Fund	Fire Protection	Rainy Day Fund	Levy Excess
Cash and investments - beginning	\$ 119,727	\$ 53,993	\$ 11,631	\$ 15,723	\$ 16,722	\$ 5,490	\$ 49,329	\$ 1,399	\$ 502
Receipts:									
Taxes	146,764	17,996	-	-	-	10,817	6,009	-	-
Licenses and permits	1,989	-	-	305	-	-	-	-	-
Intergovernmental	80,892	29,990	18,393	-	18,246	2,003	1,113	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	4,132	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	181,329	348,322	-	15,713	-	883	20,132	1,435	-
Total receipts	410,974	396,308	18,393	20,150	18,246	13,703	27,254	1,435	-
Disbursements:									
Personal services	161,923	18,110	-	-	-	12,337	5,400	-	-
Supplies	10,771	10,919	-	376	-	1,377	5,632	-	-
Other services and charges	59,784	19,112	-	-	-	4,262	7,858	-	-
Capital outlay	15,792	279	6,294	-	7,087	-	2,126	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	222,274	346,018	12,639	15,673	9,635	883	20,000	1,408	502
Total disbursements	470,544	394,438	18,933	16,049	16,722	18,859	41,016	1,408	502
Excess (deficiency) of receipts over disbursements	(59,570)	1,870	(540)	4,101	1,524	(5,156)	(13,762)	27	(502)
Cash and investments - ending	\$ 60,157	\$ 55,863	\$ 11,091	\$ 19,824	\$ 18,246	\$ 334	\$ 35,567	\$ 1,426	\$ -

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

	Ccd	Park Nonreverting Fund	Edit Tax	Cci	Cash Fund	Park Community Building	Odon Housing	Odon Street Light Fund	Payroll Fund
Cash and investments - beginning	\$ 26,474	\$ 922	\$ 22,621	\$ 6,046	\$ 35	\$ 25,680	\$ 2,000	\$ 2,141	\$ 2,608
Receipts:									
Taxes	7,234	-	-	-	-	-	10,347	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	1,339	-	20,809	3,952	-	-	-	-	-
Charges for services	-	2,937	-	-	-	23,400	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	13,068	1,001	-	-	-	-	-	1,139	-
Total receipts	<u>21,641</u>	<u>3,938</u>	<u>20,809</u>	<u>3,952</u>	<u>-</u>	<u>23,400</u>	<u>10,347</u>	<u>1,139</u>	<u>-</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	2,393
Supplies	-	-	-	-	-	2,365	-	-	-
Other services and charges	-	-	-	-	-	9,972	-	-	-
Capital outlay	9,989	-	10,027	6,046	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	13,068	1,113	10,000	-	-	14,693	12,347	-	-
Total disbursements	<u>23,057</u>	<u>1,113</u>	<u>20,027</u>	<u>6,046</u>	<u>-</u>	<u>27,030</u>	<u>12,347</u>	<u>-</u>	<u>2,393</u>
Excess (deficiency) of receipts over disbursements	<u>(1,416)</u>	<u>2,825</u>	<u>782</u>	<u>(2,094)</u>	<u>-</u>	<u>(3,630)</u>	<u>(2,000)</u>	<u>1,139</u>	<u>(2,393)</u>
Cash and investments - ending	<u>\$ 25,058</u>	<u>\$ 3,747</u>	<u>\$ 23,403</u>	<u>\$ 3,952</u>	<u>\$ 35</u>	<u>\$ 22,050</u>	<u>\$ -</u>	<u>\$ 3,280</u>	<u>\$ 215</u>

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

	Payroll Pebasco	Payroll Perf	Payroll Federal Withholdings	Payroll State & County	Payroll Health Ins	Payroll Fica/Med	Payroll Daviess County Clerk	Net Payroll	Payroll Life Insurance
Cash and investments - beginning	\$ 212	\$ 1,618	\$ 1,507	\$ (605)	\$ 923	\$ 1,884	\$ (100)	\$ (3,712)	\$ 8
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-	-
Other receipts	1,370	6,919	19,541	12,719	187	15,360	2,755	245,825	25
Total receipts	1,370	6,919	19,541	12,719	187	15,360	2,755	245,825	25
Disbursements:									
Personal services	1,112	6,437	-	-	917	15,749	2,655	242,112	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	8,758	8,296	-	-	-	-	-
Total disbursements	1,112	6,437	8,758	8,296	917	15,749	2,655	242,112	-
Excess (deficiency) of receipts over disbursements	258	482	10,783	4,423	(730)	(389)	100	3,713	25
Cash and investments - ending	\$ 470	\$ 2,100	\$ 12,290	\$ 3,818	\$ 193	\$ 1,495	\$ -	\$ 1	\$ 33

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

	Payroll Aflac	Payroll Tax Autodraft	Sewage Operating	Sewage Bond & Interest	Water Operating	Water Bond & Interest	Water Deposits	Water Reserve Savings	Totals
Cash and investments - beginning	\$ (53)	\$ (1,387)	\$ 389,168	\$ 40,511	\$ 428,874	\$ 66,885	\$ 11,333	\$ 28,344	\$ 1,328,453
Receipts:									
Taxes	-	-	-	-	11,370	-	-	-	210,537
Licenses and permits	-	-	-	-	-	-	-	-	2,294
Intergovernmental	-	-	-	-	-	-	-	-	176,737
Charges for services	-	-	-	-	-	-	-	-	26,337
Fines and forfeits	-	-	-	-	-	-	-	-	4,132
Utility fees	-	-	709,806	-	259,152	-	5,100	-	974,058
Penalties	-	-	-	-	1,122	-	-	-	1,122
Other receipts	53	92,728	1,129	158	1,113,916	151,100	-	11	2,246,818
Total receipts	53	92,728	710,935	158	1,385,560	151,100	5,100	11	3,642,035
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	469,145
Supplies	-	-	-	-	-	-	-	-	31,440
Other services and charges	-	-	-	-	-	-	-	-	100,988
Capital outlay	-	-	14,161	-	3,687	-	-	-	75,488
Utility operating expenses	-	-	575,332	-	941,166	-	-	-	1,516,498
Other disbursements	-	91,341	115,109	-	460,479	148,588	1,317	-	1,514,141
Total disbursements	-	91,341	704,602	-	1,405,332	148,588	1,317	-	3,707,700
Excess (deficiency) of receipts over disbursements	53	1,387	6,333	158	(19,772)	2,512	3,783	11	(65,665)
Cash and investments - ending	\$ -	\$ -	\$ 395,501	\$ 40,669	\$ 409,102	\$ 69,397	\$ 15,116	\$ 28,355	\$ 1,262,788

TOWN OF ODON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2012

	General Fund	Mvh	L.Rds.& St	Cef Fund	Riverboat Fund	Park Fund	Fire Protection	Rainy Day Fund	Levy Excess
Cash and investments - beginning	\$ 60,157	\$ 55,863	\$ 11,091	\$ 19,824	\$ 18,246	\$ 334	\$ 35,567	\$ 1,426	\$ -
Receipts:									
Taxes	260,151	-	-	-	-	-	-	1,331	-
Licenses and permits	-	-	-	1,278	-	-	-	-	-
Intergovernmental	-	46,780	5,980	-	8,021	-	18,124	-	-
Charges for services	-	-	-	-	-	16,313	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	-
Total receipts	<u>260,151</u>	<u>46,780</u>	<u>5,980</u>	<u>1,278</u>	<u>8,021</u>	<u>16,313</u>	<u>18,124</u>	<u>1,331</u>	<u>-</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	-	20,715	149	-	-	-	20,397	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	314,238	-	-	2,627	-	21,807	-	-	-
Total disbursements	<u>314,238</u>	<u>20,715</u>	<u>149</u>	<u>2,627</u>	<u>-</u>	<u>21,807</u>	<u>20,397</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(54,087)</u>	<u>26,065</u>	<u>5,831</u>	<u>(1,349)</u>	<u>8,021</u>	<u>(5,494)</u>	<u>(2,273)</u>	<u>1,331</u>	<u>-</u>
Cash and investments - ending	<u>\$ 6,070</u>	<u>\$ 81,928</u>	<u>\$ 16,922</u>	<u>\$ 18,475</u>	<u>\$ 26,267</u>	<u>\$ (5,160)</u>	<u>\$ 33,294</u>	<u>\$ 2,757</u>	<u>\$ -</u>

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

	Ccd	Park Nonreverting Fund	Edit Tax	Cci	Cash Fund	Park Community Building	Odon Housing	Odon Street Light Fund	Payroll Fund
Cash and investments - beginning	\$ 25,058	\$ 3,747	\$ 23,403	\$ 3,952	\$ 35	\$ 22,050	\$ -	\$ 3,280	\$ 215
Receipts:									
Taxes	-	-	-	3,591	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	13,120	-	-	-	-	-	-
Charges for services	-	1,835	-	-	-	10,450	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	7,843	-	-	-	-	-	-	125	-
Total receipts	<u>7,843</u>	<u>1,835</u>	<u>13,120</u>	<u>3,591</u>	<u>-</u>	<u>10,450</u>	<u>-</u>	<u>125</u>	<u>-</u>
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	-
Supplies	11,676	-	-	-	-	-	-	500	-
Other services and charges	-	-	-	-	-	10,228	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	<u>11,676</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,228</u>	<u>-</u>	<u>500</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,833)</u>	<u>1,835</u>	<u>13,120</u>	<u>3,591</u>	<u>-</u>	<u>222</u>	<u>-</u>	<u>(375)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 21,225</u>	<u>\$ 5,582</u>	<u>\$ 36,523</u>	<u>\$ 7,543</u>	<u>\$ 35</u>	<u>\$ 22,272</u>	<u>\$ -</u>	<u>\$ 2,905</u>	<u>\$ 215</u>

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

	Payroll Pebasco	Payroll Perf	Payroll Federal Withholdings	Payroll State & County	Payroll Health Ins	Payroll Fica/Med	Payroll Davies County Clerk	Net Payroll	Payroll Life Insurance
Cash and investments - beginning	\$ 470	\$ 2,100	\$ 12,290	\$ 3,818	\$ 193	\$ 1,495	\$ -	\$ 1	\$ 33
Receipts:									
Taxes	-	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	637	-	-	-	-	-	-	257,686	-
Total receipts	637	-	-	-	-	-	-	257,686	-
Disbursements:									
Personal services	-	-	-	-	-	-	-	257,686	-
Supplies	-	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-	-	-
Total disbursements	-	-	-	-	-	-	-	257,686	-
Excess (deficiency) of receipts over disbursements	637	-	-	-	-	-	-	-	-
Cash and investments - ending	\$ 1,107	\$ 2,100	\$ 12,290	\$ 3,818	\$ 193	\$ 1,495	\$ -	\$ 1	\$ 33

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

	Payroll Aflac	Payroll Tax Autodraft	Sewage Operating	Sewage Bond & Interest	Water Operating	Water Bond & Interest	Water Deposits	Water Reserve Savings	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 395,501	\$ 40,669	\$ 409,102	\$ 69,397	\$ 15,116	\$ 28,355	\$ 1,262,788
Receipts:									
Taxes	-	-	-	-	-	-	-	-	265,073
Licenses and permits	-	-	-	-	-	-	-	-	1,278
Intergovernmental	-	-	-	-	-	-	-	-	92,025
Charges for services	-	-	-	-	-	-	-	-	28,598
Utility fees	-	-	229,337	-	313,090	-	-	-	542,427
Other receipts	-	69,164	-	199	-	74,768	5,000	-	415,422
Total receipts	-	69,164	229,337	199	313,090	74,768	5,000	-	1,344,823
Disbursements:									
Personal services	-	-	-	-	-	-	-	-	257,686
Supplies	-	-	-	-	-	-	-	-	53,437
Other services and charges	-	-	-	-	-	-	-	-	10,228
Utility operating expenses	-	-	-	-	391,206	-	-	-	391,206
Other disbursements	-	69,164	202,088	-	-	74,768	6,720	-	691,412
Total disbursements	-	69,164	202,088	-	391,206	74,768	6,720	-	1,403,969
Excess (deficiency) of receipts over disbursements	-	-	27,249	199	(78,116)	-	(1,720)	-	(59,146)
Cash and investments - ending	\$ -	\$ -	\$ 422,750	\$ 40,868	\$ 330,986	\$ 69,397	\$ 13,396	\$ 28,355	\$ 1,203,642

TOWN OF ODON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2012

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 18,061	\$ -
Wastewater	14,955	709
Water	16,984	289
Totals	\$ 50,000	\$ 998

TOWN OF ODON
SCHEDULE OF LEASES AND DEBT
December 31, 2012

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
Ford Motor Credit Company	2013 Ford Police Interceptor Sedan	\$ 8,774	07-10-12	07-10-14
Ford Motor Credit Company	2009 Ford F550	<u>8,706</u>	02-23-11	02-23-15
Total governmental activities		<u>17,480</u>		
Total of annual lease payments		<u>\$ 17,480</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Water:			
Revenue bonds	Improvements	\$ 348,000	\$ 33,841
Revenue bonds	Improvements	<u>266,000</u>	<u>41,300</u>
Total Water		<u>614,000</u>	<u>75,141</u>
Totals		<u>\$ 614,000</u>	<u>\$ 75,141</u>

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TOWN OF ODON
SCHEDULE OF CAPITAL ASSETS
December 31, 2012

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	\$ 25,775
Infrastructure	10,435
Buildings	615,026
Improvements other than buildings	969,348
Machinery, equipment, and vehicles	694,280
Total governmental activities	2,314,864
Wastewater:	
Land	33,600
Buildings	1,833,215
Machinery, equipment, and vehicles	166,650
Construction in progress	25,080
Total Wastewater	2,058,545
Water:	
Land	33,600
Improvements other than buildings	14,771,480
Machinery, equipment, and vehicles	254,237
Total Water	15,059,317
Total capital assets	\$ 19,432,726

TOWN OF ODON
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient. The following exceptions were noted:

1. Material errors were noted on the ledger of receipts, disbursements, and balances during the audit period. The ledgers for 2012 were not posted until 2013.
2. Monthly reconcilements were presented for audit. However, they were not completed in the proper manner to ensure agreement with the Town's ledger.
3. The annual reports filed contained material errors. Financial statements were not properly prepared and were not reconciled to Town financial records.
4. There is a lack of segregation of duties related to receipts, disbursements, and cash and investment balances. The Town Clerk-Treasurer writes the checks, posts the ledger, and reconciles the bank to the ledger.
5. There is no proper oversight and monitoring of controls by the Town Board. The failure to properly oversee the financial transactions of the Town places the Town at risk that material misstatements will not be identified and corrected in a timely manner.
6. Schedule of Expenditures of Federal Awards: The Town has not implemented adequate controls over the Schedule of Federal Awards to detect material misstatements.

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

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CONDITION OF RECORDS

Financial statements presented for audit were incomplete and not reflective of the activity of the Town funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

TOWN OF ODON
AUDIT RESULTS AND COMMENTS
(Continued)

Some of the deficiencies include:

1. Annual report materially misstated compared to ledgers.
2. Receipts and disbursements not posted to the ledgers for all of 2012.
3. Receipts and disbursements not properly posted by funds.
4. Transactions recorded as "negative" receipts and disbursements.

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)

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were presented for all 24 months during the audit period. However, they were not completed in the proper manner to ensure agreement with the Town's ledger.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

CASH DISBURSEMENTS

The transactions tested identified \$534.99 in purchases made using cash. A cash refund for a returned item and a cash withdrawal from a Town account were used to purchase items for the Town without being accounted for in the records.

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)

ERRORS ON CLAIMS

A test of claims identified the following deficiencies with an error rate greater than 10 percent:

1. Of the claims tested 22 percent were not accompanied by adequate supporting documentation.

TOWN OF ODON
AUDIT RESULTS AND COMMENTS
(Continued)

2. Of the claims tested, 55 percent were not approved by the Board in a timely fashion. Claims were not approved for the entire year of 2012 until 2013, due to claims registers not being presented for approval.
3. Of the claims tested, 22 percent were not properly approved by the fiscal officer.
4. Mileage claimed was not properly documented on a claim showing actual miles traveled and reimbursement rate approved by the Board.
5. Credit card claims were not supported by proper documentation or receipts.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

Mileage Claim (General Form 101) is designed to serve as a claim for mileage to be presented to the Board for allowance.

Officers and employees may be reimbursed for actual miles traveled in their own motor vehicles on official business of the city or town at a reasonable rate per mile as fixed by ordinance or resolution of the board. Reimbursement mileage shall not include travel to and from the officer's or employee's home and the office. If two or more persons ride in the same motor vehicle, only one mileage reimbursement is allowable. The speedometer reading columns on this form are to be used only when distance between points cannot be determined by fixed mileage or official state highway map. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

PENALTIES, INTEREST, AND OTHER CHARGES

The Town paid penalties, interest, and other charges to the Internal Revenue Service in the amount of \$129.49 because the Town did not remit payments on a timely basis.

The Town paid penalties, interest, and other charges to the Indiana Department of Revenue in the amount of \$1,341.35 because the Town did not remit payments on a timely basis.

TOWN OF ODON
AUDIT RESULTS AND COMMENTS
(Continued)

The Town paid penalties, interest, and other charges to the Indiana Department of Workforce Development in the amount of \$47.01 because the Town did not remit payments on a timely basis.

The Town paid penalties, interest, and other charges to Cardmember Services for \$679.13 because the Town did not remit credit card payments on a timely basis.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Park and Recreation	2011	\$ 11,116
General	2012	35,769
Local Road and Street	2012	21,176

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

OVERDRAWN CASH BALANCES

The financial statements presented in this report included the following funds with overdrawn cash balances at December 31, 2012:

<u>Fund</u>	<u>Amount Overdrawn</u>
Local Road and Street	\$ 11,892
Park	5,160

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (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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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF ODON, DAVIESS COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Odon's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the period of January 1, 2011 to December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-4. Our opinion on the major federal program is not modified with respect to these matters.

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

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3 to be material weaknesses.

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

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



Bruce Hartman
State Examiner

July 11, 2013

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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.

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TOWN OF ODON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2011 and 2012

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>HUD</u>					
CDBG State Administered CDBG Cluster Community Development Block Grants/States Program and Non- Entitlement Grants in Hawaii Homeowner Improvement	IHCDA	14.228	HD-009-008	\$ 12,347	\$ -
Community Development Block Grants/States Program and Non- Entitlement Grants in Hawaii Storm Drainage	OCRA	14.228	B10DC180001DR2-09-020	<u>295,524</u>	<u>-</u>
Total - CDBG - State Administered CDBG Cluster				<u>307,871</u>	<u>-</u>
Total - HUD				<u>307,871</u>	<u>-</u>
<u>USDOT</u>					
Highway Planning and Construction Cluster Highway Planning and Construction I69-Relocation	INDOT	20.205	0500444	<u>233,798</u>	<u>2,432</u>
Total - Highway Planning and Construction Cluster				<u>233,798</u>	<u>2,432</u>
Total - USDOT				<u>233,798</u>	<u>2,432</u>
Total federal awards expended				<u>\$ 541,669</u>	<u>\$ 2,432</u>

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

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

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

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

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available.
- (4) Include notes that describe the significant accounting policies used in preparing the schedule.
- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

FINDING 2012-2 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

1. Material errors were noted on the ledger of receipts, disbursements and balances during the audit period. Transactions for 2012 were not posted to the ledger until 2013.
2. Monthly reconciliements were not presented or prepared for the entire audit period.

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

3. The annual reports filed contained material errors. Financial statements were not properly prepared and were not reconciled to Town financial records.
4. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to 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 remain undetected.
5. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM

Federal Agency: U.S. Department of Housing and Urban Development

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

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B10DC180001DR2-09-020,
HD-009-008

Pass-Through Entity: Indiana Office of Community and Rural Affairs,
Indiana Housing and Community Development Authority

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: allowable

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

activities, allowable costs, cash management, Davis-Bacon, equipment and real property management, matching, period of availability, procurement, suspension and debarment, reporting, and special tests and provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over activities of the grant.

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

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

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

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

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

FINDING 2012-4 - EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B10DC180001DR2-09-020

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

Town of Odon did not maintain adequate records for equipment, property and infrastructure purchased with federal monies. They have not established a system to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate records, periodic physical inventories cannot be compared to property records.

The Town's capital assets records were not adequate. None of the \$861,925 federally funded CDBG-DR2-09-020 water infrastructure improvement construction costs, which were completed during 2011, were added to the capital assets ledger as of December 31, 2012. The \$861,925 in unrecorded CDBG water infrastructure improvement completed project costs is a material understatement of capital assets.

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

24 CFR 85.32(d) states in part:

"(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

The capital assets of the Town are materially understated in the amount of \$861,925 due to the lack of recording of completed infrastructure for the storm water project.

We recommended that the Town of Odon update their capital assets ledger for the purchase of assets with Federal funds for the storm water project to accurately reflect the capital assets owned by the Town as of December 31, 2012.

Town of Odon

OFFICE OF CLERK-TREASURER

109 SOUTH SPRING ST.

ODON INDIANA 47562



July 11, 2013

FEDERAL FINDING 2012-1 NO PREPARATION OF SCHEDULE OF FEDERAL AWARDS (SEFA)

Auditee Contact Person: Beth Haseman

Title of Contact Person: Clerk-Treasurer

Phone Number: 812-636-4321

Expected Completion Date: By next Federal Grant or next auditing period

Corrective Action Plan:

The finding noted that there was no preparation of the Federal Awards (SEFA). We plan to create and use a check list to ensure we are following The Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7 and The OMB Circular A-133, Subpart C, section .300 & .310. Two examples to be on this check list will include 1) Each grant project will have a separate fund to ensure correctness and 2) When the Annual Report is filed through Gateway, a council member will check to ensure the grant section has been completed.

Respectfully,

A handwritten signature in cursive script that reads "Beth Haseman".

Beth Haseman

Town of Odon

OFFICE OF CLERK-TREASURER

109 SOUTH SPRING ST.

ODON INDIANA 47562



July 11, 2013

FEDERAL FINDING 2012-2-INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Auditee Contact Person: Beth Haseman
Title of Contact Person: Clerk-Treasurer
Phone Number: 812-636-4321
Expected Completion Date: July 31, 2013

Corrective Action Plan:

The finding noted several deficiencies in the internal control system related to financial transactions and reporting. As of July 31, 2013 the Council plans to change this by having the Clerk-Treasurer present all closing out reports to ensure proper bank reconciliation. These reports produced from Komputrol include: Revenue, Budget, Fund, and Bank Reconciliation. The Clerk-Treasurer also plans to review adjustments recommendations from Umbaugh & Associates, make the necessary changes to the fund and re file Annual Reports for the year 2011 & 2012 by the end of 2013. The Clerk-Treasurer also plans to prepare policies and procedures according to guidelines. These policies and procedures include a purchase order system, credit card policy, segregation of duties, and monitoring of controls performed by the Town Council.

Respectfully,

A handwritten signature in cursive script that reads "Beth Haseman".

Beth Haseman

Town of Odon

OFFICE OF CLERK-TREASURER

109 SOUTH SPRING ST.

ODON INDIANA 47562



July 11, 2013

FEDERAL FINDING 2012-3-INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM

Auditee Contact Person: Beth Haseman

Title of Contact Person: Clerk-Treasurer

Phone number: 812-636-4321

Expected Completion Date: Future Community Development Block Grants/State's Program

Corrective Action Plan:

The finding noted that the Town had not established an effective internal control system related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. Together the Council and Clerk will correct this finding. First, the Clerk-Treasurer will review The CFDA website to review and create a check list on the guidelines for the grant. Secondly, the Council will designate two members to work with the grant official using the checklist to ensure all guidelines are being followed.

Respectfully,

A handwritten signature in cursive script that reads "Beth Haseman".

Beth Haseman

Town of Odon

OFFICE OF CLERK-TREASURER

109 SOUTH SPRING ST.

ODON INDIANA 47562



July 11, 2013

FINDING 2012-4-INTERNAL CONTROLS AND COMPLIANCE OVER EQUIPMENT AND REAL PROPERTY
MANAGEMENT

Auditee Contact Person: Beth Haseman
Title of Contact Person: Clerk-Treasurer
Phone Number: 812-636-4321
Expected Completion Date: August 31, 2013

Corrective Action Plan:

The finding noted the Town's capital assets records are not adequate. The Town plans to follow your recommendation by updating the capitol asset records by including federal monies. This update will be completed by August 31. The Town will also review and update The Capital Asset Ordinance to include a policy that states all future capital assets will be recorded at the time of purchase in lieu of waiting until the end of the year.

Respectfully,

A handwritten signature in cursive script that reads "Beth Haseman".

Beth Haseman

TOWN OF ODON
EXIT CONFERENCE

The contents of this report were discussed on July 11, 2013, with Thomas K. Noble, President of the Town Council, and Beth Haseman, Clerk-Treasurer. The officials indicated that they would be responding to the report but no Official Response was received.