

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF ELNORA  
DAVISS COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
09/09/2013



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sara Eaton	01-01-11 to 12-31-11
	Judith Stedman	01-01-11 to 04-13-13
	Heather Davis	04-14-13 to 12-31-15
President of the Town Council	Jerry Beck	01-01-11 to 12-31-11
	John Mathis	01-01-12 to 12-31-13
Superintendent of Water Utility	Wayne Ellis	01-01-11 to 12-31-13
Superintendent of Wastewater Utility	Wayne Ellis	01-01-11 to 12-31-13



## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Elnora (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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As discussed in Note 1 of the financial statements, the Town prepares its financial statement on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the Indiana State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the period of January 1, 2011 to December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated August 7, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

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



Bruce Hartman  
State Examiner

August 7, 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  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Elnora (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 August 7, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

***Internal Control Over Financial Reporting***

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

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

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.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider some of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE 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 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Town of Elnora'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

August 7, 2013

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## 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 ELNORA  
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	\$ 54,610	\$ 115,202	\$ 161,003	\$ 8,809	\$ 135,727	\$ 119,652	\$ 24,884
Motor Vehicle Highway	35,220	27,519	14,837	47,902	25,638	19,194	54,346
Local Road And Street	4,327	3,795	404	7,718	3,770	2,411	9,077
Law Enforcement Continuing Ed	1,148	2,775	2,310	1,613	664	1,363	914
Riverboat	9,047	4,512	9,145	4,414	3,791	5,479	2,726
Rainy Day	4,835	-	1,141	3,694	-	-	3,694
Cedit Special Revenue	25,454	5,803	2,455	28,802	7,686	13,008	23,480
Cumulative Capital Development	16,452	3,744	4,464	15,732	3,958	4,130	15,560
Police/Auto/Equipment/Ticket Fund	-	-	-	-	10,165	6,130	4,035
Cumulative Capital Improvement	1,099	2,071	1,000	2,170	1,697	959	2,908
Community Clean Up	493	2	33	462	1,362	1,622	202
General Excess Levy	224	-	-	224	861	224	861
2010 Housing Grant	-	8,414	8,414	-	23,561	-	23,561
Interest On Cd	1,574	819	1,450	943	-	-	943
Reserve Police Officers	546	-	120	426	106	156	376
Park And Recreation Improvements	1,832	500	-	2,332	-	-	2,332
Payroll	-	179,679	179,451	228	177,711	177,938	1
Wastewater Utility-Operating	4,043	178,514	178,204	4,353	176,930	176,930	4,353
Wastewater Util-Bond And Interest	30,750	60,000	44,633	46,117	60,000	57,833	48,284
Wastewater Utility-Construction	750	6,107	-	6,857	2,650	5,370	4,137
Wastewater Utility-Debt Reserve	22,810	6,000	500	28,310	6,000	-	34,310
Wastewater - Sewer Grant	192	1,153,520	1,153,713	(1)	-	-	(1)
Water Utility-Operating	(777)	118,524	122,365	(4,618)	100,519	101,234	(5,333)
Water Utility-Bond And Interest	3,100	16,500	13,300	6,300	18,000	12,750	11,550
Water Utility-Customer Deposit	9,291	2,525	2,717	9,099	2,060	3,689	7,470
Water Utility-Construction	13,206	22,750	32,685	3,271	13,602	13,000	3,873
Water Utility-Debt Reserve	13,704	-	-	13,704	-	-	13,704
<b>Totals</b>	<b>\$ 253,930</b>	<b>\$ 1,919,275</b>	<b>\$ 1,934,344</b>	<b>\$ 238,861</b>	<b>\$ 776,458</b>	<b>\$ 723,072</b>	<b>\$ 292,247</b>

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

TOWN OF ELNORA  
NOTES TO FINANCIAL STATEMENT

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

The financial statement is reported on a regulatory basis of accounting prescribed by the 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 ELNORA  
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.

TOWN OF ELNORA  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

TOWN OF ELNORA  
NOTES TO FINANCIAL STATEMENT  
(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, 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. Combined Funds**

Funds related to Police/Auto/Equipment Fund and Local Law Enforcement Continuing Education were reported individually in the current financial statement but were combined into one fund for the prior financial statement.

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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 ELNORA  
 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	Cedit Special Revenue
Cash and investments - beginning	\$ 54,610	\$ 35,220	\$ 4,327	\$ 1,148	\$ 9,047	\$ 4,835	\$ 25,454
Receipts:							
Taxes	79,854	2,838	-	-	-	-	-
Licenses and permits	-	-	-	160	-	-	-
Intergovernmental	21,531	24,397	3,795	-	4,512	-	5,803
Charges for services	5,747	-	-	-	-	-	-
Fines and forfeits	174	-	-	945	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,896	284	-	1,670	-	-	-
Total receipts	<u>115,202</u>	<u>27,519</u>	<u>3,795</u>	<u>2,775</u>	<u>4,512</u>	<u>-</u>	<u>5,803</u>
Disbursements:							
Personal services	82,809	6,306	-	-	-	-	-
Supplies	15,373	3,237	-	-	-	-	2,455
Other services and charges	59,613	5,294	404	2,310	-	1,141	-
Capital outlay	3,208	-	-	-	9,145	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>161,003</u>	<u>14,837</u>	<u>404</u>	<u>2,310</u>	<u>9,145</u>	<u>1,141</u>	<u>2,455</u>
Excess (deficiency) of receipts over disbursements	<u>(45,801)</u>	<u>12,682</u>	<u>3,391</u>	<u>465</u>	<u>(4,633)</u>	<u>(1,141)</u>	<u>3,348</u>
Cash and investments - ending	<u>\$ 8,809</u>	<u>\$ 47,902</u>	<u>\$ 7,718</u>	<u>\$ 1,613</u>	<u>\$ 4,414</u>	<u>\$ 3,694</u>	<u>\$ 28,802</u>

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

	Cumulative Capital Development	Police/Auto/ Equipment/Ticket Fund	Cumulative Capital Improvement	Community Clean Up	General Excess Levy	2010 Housing Grant	Interest On Cd
Cash and investments - beginning	\$ 16,452	\$ -	\$ 1,099	\$ 493	\$ 224	\$ -	\$ 1,574
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	1,608	-	2,071	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,136	-	-	2	-	8,414	819
Total receipts	<u>3,744</u>	<u>-</u>	<u>2,071</u>	<u>2</u>	<u>-</u>	<u>8,414</u>	<u>819</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	850	-	-	-	-	-	-
Capital outlay	-	-	1,000	-	-	-	1,450
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	3,614	-	-	33	-	8,414	-
Total disbursements	<u>4,464</u>	<u>-</u>	<u>1,000</u>	<u>33</u>	<u>-</u>	<u>8,414</u>	<u>1,450</u>
Excess (deficiency) of receipts over disbursements	<u>(720)</u>	<u>-</u>	<u>1,071</u>	<u>(31)</u>	<u>-</u>	<u>-</u>	<u>(631)</u>
Cash and investments - ending	<u>\$ 15,732</u>	<u>\$ -</u>	<u>\$ 2,170</u>	<u>\$ 462</u>	<u>\$ 224</u>	<u>\$ -</u>	<u>\$ 943</u>

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

	Reserve Police Officers	Park And Recreation Improvements	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 546	\$ 1,832	\$ -	\$ 4,043	\$ 30,750	\$ 750	\$ 22,810
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	174,354	-	-	-
Penalties	-	-	-	3,859	-	-	-
Other receipts	-	500	179,679	301	60,000	6,107	6,000
Total receipts	-	500	179,679	178,514	60,000	6,107	6,000
Disbursements:							
Personal services	-	-	179,451	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	120	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	109,704	-	-	-
Other disbursements	-	-	-	68,500	44,633	-	500
Total disbursements	120	-	179,451	178,204	44,633	-	500
Excess (deficiency) of receipts over disbursements	(120)	500	228	310	15,367	6,107	5,500
Cash and investments - ending	\$ 426	\$ 2,332	\$ 228	\$ 4,353	\$ 46,117	\$ 6,857	\$ 28,310

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

	Wastewater - Sewer Grant	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Construction	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 192	\$ (777)	\$ 3,100	\$ 9,291	\$ 13,206	\$ 13,704	\$ 253,930
Receipts:							
Taxes	-	4,823	-	-	-	-	87,515
Licenses and permits	-	-	-	-	-	-	160
Intergovernmental	-	-	-	-	-	-	63,717
Charges for services	-	-	-	-	-	-	5,747
Fines and forfeits	-	-	-	-	-	-	1,119
Utility fees	-	111,515	-	-	-	-	285,869
Penalties	-	1,927	-	-	-	-	5,786
Other receipts	<u>1,153,520</u>	<u>259</u>	<u>16,500</u>	<u>2,525</u>	<u>22,750</u>	<u>-</u>	<u>1,469,362</u>
Total receipts	<u>1,153,520</u>	<u>118,524</u>	<u>16,500</u>	<u>2,525</u>	<u>22,750</u>	<u>-</u>	<u>1,919,275</u>
Disbursements:							
Personal services	-	-	-	-	-	-	268,566
Supplies	-	-	-	-	-	-	21,065
Other services and charges	-	-	-	-	-	-	69,732
Capital outlay	1,153,713	-	-	-	-	-	1,168,516
Utility operating expenses	-	77,502	-	-	-	-	187,206
Other disbursements	<u>-</u>	<u>44,863</u>	<u>13,300</u>	<u>2,717</u>	<u>32,685</u>	<u>-</u>	<u>219,259</u>
Total disbursements	<u>1,153,713</u>	<u>122,365</u>	<u>13,300</u>	<u>2,717</u>	<u>32,685</u>	<u>-</u>	<u>1,934,344</u>
Excess (deficiency) of receipts over disbursements	<u>(193)</u>	<u>(3,841)</u>	<u>3,200</u>	<u>(192)</u>	<u>(9,935)</u>	<u>-</u>	<u>(15,069)</u>
Cash and investments - ending	<u>\$ (1)</u>	<u>\$ (4,618)</u>	<u>\$ 6,300</u>	<u>\$ 9,099</u>	<u>\$ 3,271</u>	<u>\$ 13,704</u>	<u>\$ 238,861</u>

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

	General	Motor Vehicle Highway	Local Road And Street	Law Enforcement Continuing Ed	Riverboat	Rainy Day	Cedit Special Revenue
Cash and investments - beginning	\$ 8,809	\$ 47,902	\$ 7,718	\$ 1,613	\$ 4,414	\$ 3,694	\$ 28,802
Receipts:							
Taxes	84,480	8,106	-	-	-	-	-
Licenses and permits	895	-	-	410	-	-	-
Intergovernmental	30,123	17,458	3,770	-	3,791	-	7,686
Charges for services	17,326	-	-	-	-	-	-
Fines and forfeits	-	-	-	254	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	2,903	74	-	-	-	-	-
Total receipts	<u>135,727</u>	<u>25,638</u>	<u>3,770</u>	<u>664</u>	<u>3,791</u>	<u>-</u>	<u>7,686</u>
Disbursements:							
Personal services	76,955	6,300	-	-	435	-	4,313
Supplies	8,645	2,067	-	-	1,000	-	178
Other services and charges	24,579	10,827	-	-	4,044	-	8,517
Capital outlay	8,487	-	2,411	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	986	-	-	1,363	-	-	-
Total disbursements	<u>119,652</u>	<u>19,194</u>	<u>2,411</u>	<u>1,363</u>	<u>5,479</u>	<u>-</u>	<u>13,008</u>
Excess (deficiency) of receipts over disbursements	<u>16,075</u>	<u>6,444</u>	<u>1,359</u>	<u>(699)</u>	<u>(1,688)</u>	<u>-</u>	<u>(5,322)</u>
Cash and investments - ending	<u>\$ 24,884</u>	<u>\$ 54,346</u>	<u>\$ 9,077</u>	<u>\$ 914</u>	<u>\$ 2,726</u>	<u>\$ 3,694</u>	<u>\$ 23,480</u>

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

	Cumulative Capital Development	Police/Auto/ Equipment/Ticket Fund	Cumulative Capital Improvement	Community Clean Up	General Excess Levy	2010 Housing Grant	Interest On Cd
Cash and investments - beginning	\$ 15,732	\$ -	\$ 2,170	\$ 462	\$ 224	\$ -	\$ 943
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	19	-	1,697	-	-	23,561	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	10,165	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,939	-	-	1,362	861	-	-
Total receipts	<u>3,958</u>	<u>10,165</u>	<u>1,697</u>	<u>1,362</u>	<u>861</u>	<u>23,561</u>	<u>-</u>
Disbursements:							
Personal services	-	105	-	-	-	-	-
Supplies	-	3,472	-	-	-	-	-
Other services and charges	-	2,032	-	1,622	-	-	-
Capital outlay	4,130	225	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	296	959	-	224	-	-
Total disbursements	<u>4,130</u>	<u>6,130</u>	<u>959</u>	<u>1,622</u>	<u>224</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(172)</u>	<u>4,035</u>	<u>738</u>	<u>(260)</u>	<u>637</u>	<u>23,561</u>	<u>-</u>
Cash and investments - ending	<u>\$ 15,560</u>	<u>\$ 4,035</u>	<u>\$ 2,908</u>	<u>\$ 202</u>	<u>\$ 861</u>	<u>\$ 23,561</u>	<u>\$ 943</u>

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

	Reserve Police Officers	Park And Recreation Improvements	Payroll	Wastewater Utility-Operating	Wastewater Util-Bond And Interest	Wastewater Utility-Construction	Wastewater Utility-Debt Reserve
Cash and investments - beginning	\$ 426	\$ 2,332	\$ 228	\$ 4,353	\$ 46,117	\$ 6,857	\$ 28,310
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	173,252	-	-	-
Penalties	-	-	-	3,501	-	-	-
Other receipts	106	-	177,711	177	60,000	2,650	6,000
Total receipts	106	-	177,711	176,930	60,000	2,650	6,000
Disbursements:							
Personal services	-	-	177,938	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	108,680	-	-	-
Other disbursements	156	-	-	68,250	57,833	5,370	-
Total disbursements	156	-	177,938	176,930	57,833	5,370	-
Excess (deficiency) of receipts over disbursements	(50)	-	(227)	-	2,167	(2,720)	6,000
Cash and investments - ending	\$ 376	\$ 2,332	\$ 1	\$ 4,353	\$ 48,284	\$ 4,137	\$ 34,310

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

	Wastewater - Sewer Grant	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Construction	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ (1)	\$ (4,618)	\$ 6,300	\$ 9,099	\$ 3,271	\$ 13,704	\$ 238,861
Receipts:							
Taxes	-	-	-	-	-	-	92,586
Licenses and permits	-	-	-	-	-	-	1,305
Intergovernmental	-	-	-	-	-	-	88,105
Charges for services	-	-	-	-	-	-	17,326
Fines and forfeits	-	-	-	-	-	-	10,419
Utility fees	-	93,239	-	-	-	-	266,491
Penalties	-	1,728	-	-	-	-	5,229
Other receipts	-	5,552	18,000	2,060	13,602	-	294,997
Total receipts	-	100,519	18,000	2,060	13,602	-	776,458
Disbursements:							
Personal services	-	-	-	-	-	-	266,046
Supplies	-	-	-	-	-	-	15,362
Other services and charges	-	-	-	-	-	-	51,621
Capital outlay	-	-	-	-	-	-	15,253
Utility operating expenses	-	74,175	-	-	-	-	182,855
Other disbursements	-	27,059	12,750	3,689	13,000	-	191,935
Total disbursements	-	101,234	12,750	3,689	13,000	-	723,072
Excess (deficiency) of receipts over disbursements	-	(715)	5,250	(1,629)	602	-	53,386
Cash and investments - ending	\$ (1)	\$ (5,333)	\$ 11,550	\$ 7,470	\$ 3,873	\$ 13,704	\$ 292,247

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Wastewater	-	10,319
Water	-	4,571
	-	14,890
Totals	\$ -	\$ 14,890

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Notes and loans payable	1976 Wastewater Revenue Bonds	\$ 98,000	\$ 27,900
Notes and loans payable	2010 Wastewater Revenue Bonds	<u>1,213,000</u>	<u>29,809</u>
Total Wastewater		<u>1,311,000</u>	<u>57,709</u>
Water:			
Notes and loans payable	1974 Waterworks Revenue Bonds	24,000	13,200
Notes and loans payable	2011 Water Tower Improvement Loan	<u>5,648</u>	<u>5,764</u>
Total Water		<u>29,648</u>	<u>18,964</u>
Totals		<u>\$ 1,340,648</u>	<u>\$ 76,673</u>

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TOWN OF ELNORA  
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	\$ 600
Buildings	35,846
Improvements other than buildings	31,247
Machinery, equipment, and vehicles	223,449
Total governmental activities	291,142
Wastewater:	
Land	11,277
Buildings	560,840
Improvements other than buildings	1,455,631
Machinery, equipment, and vehicles	243,201
Total Wastewater	2,270,949
Water:	
Land	14,000
Buildings	142,500
Improvements other than buildings	1,460,186
Machinery, equipment, and vehicles	18,650
Total Water	1,635,336
Total capital assets	\$ 4,197,427

TOWN OF ELNORA  
AUDIT RESULTS AND COMMENTS

**ERRORS ON CLAIMS**

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

1. A claim was not prepared for one of the disbursements tested. This error resulted in \$10,725 being expended which was not supported by a proper claim. The expenditure was not properly accounted for in the unit's records.
2. Of the claims tested, 36 percent did not have Board approval. This error resulted in \$2,153.88 expenditures which did not have proper Board approval.

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."

**OVERDRAWN CASH BALANCES**

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

Fund	Years	Amount Overdrawn
Water Utility Operating	2012	\$ 5,333
Water Utility Operating	2011	4,618

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)

TOWN OF ELNORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

**BOARD MINUTES MISSING**

The minutes of the meetings of the governing body were not presented for all meetings. There was one meeting held in which minutes were not presented for audit. There were multiple special meetings of which no minutes were presented for audit.

Indiana Code 5-14-1.5-4(b) 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 take, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

**DELINQUENT WASTEWATER ACCOUNTS**

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. One account was certified and recorded, but not all delinquent accounts were certified and recorded.

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.
  - (C) The amount of the delinquent fees, together with the penalty.
- (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 . . .

TOWN OF ELNORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

(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."

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to 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.
2. Preparing the Financial Statement: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. 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 place 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.

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)

***ANNUAL REPORT - STATEMENT OF EXPENDITURES OF FEDERAL AWARDS***

The Annual Report for 2012 contained a number of errors and did not properly reflect the financial activity of the Statement of Expenditures of Federal Awards for the Town of Elnora.

TOWN OF ELNORA  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

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

***Report on Compliance for Each Major Federal Program***

We have audited the Town of Elnora'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 program.

***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.

***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


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

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

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

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

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



Bruce Hartman  
State Examiner

August 7, 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 ELNORA  
 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>Department of Agriculture</u>					
Water and Waste Program Cluster					
ARRA - Water and Waste Disposal Systems for Rural Communities Elnora Wastewater Loan	Direct Grant	10.781	IN-703-92-04	\$ 239,686	\$ -
ARRA - Water and Waste Disposal Systems for Rural Communities Elnora Wastewater Grant	Direct Grant	10.781	IN-703-92-05	501,000	-
Total - Water and Waste Program Cluster				740,686	-
Total - Department of Agriculture				740,686	-
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Elnora Housing Grant	Indiana Housing and Community Development Authority	14.228	HD008-031	8,414	-
ARRA - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Disaster Recovery Fund-Wastewater Project	Indiana Office of Community and Rural Affairs	14.228	DR2-09-006	312,223	-
Total - CDBG - State-Administered CDBG Cluster				320,637	-
Total - Department of Housing and Urban Development				320,637	-
Total federal awards expended				\$ 1,061,323	\$ -

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

TOWN OF ELNORA  
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 Elnora 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 ELNORA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Noncompliance material to financial statements noted?	no

Federal Awards:

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

Identification of Major Program:

\_\_\_\_\_ Name of Federal Program or Cluster \_\_\_\_\_

Water and Waste Program Cluster

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

Auditee qualified as low-risk auditee? no

**Section II – Financial Statement Findings**

**FINDING 2012-1 - INTERNAL CONTROL OVER STATEMENT OF EXPENDITURES OF FEDERAL AWARDS**

The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: not all grant expenditures were reported on the SEFA. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statement.

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

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)

***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. **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.
2. **Preparing the Financial Statement:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.

We believe the following deficiency constitutes a significant deficiency:

**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 place 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.

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.

TOWN OF ELNORA  
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)

***Section III – Federal Award Findings and Questioned Costs***

No matters are reportable.

Office of Clerk-Treasurer

**Town of Elnora**

P O Box 336, Elnora, IN 47529 Office (812) 692-5415  
Fax (812)692-5271

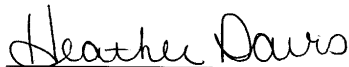
August 7, 2013

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

RE: Corrective Action for Finding 2012-1, Internal Controls over the Schedule of Expenditures and Federal Awards

When the Town of Elnora receives future grants, we agree to obtain better records. The Town will record deposit dates, whom the checks were written to, along with the date the checks were written, keep a running balance of the grant money received by the town and monitor our records with those of the Grant Administrator to insure both agree.

Sincerely,



Heather Davis  
Clerk Treasurer

8/7/13  
Date



Susan Carpenter  
Town Council Secretary

8/7/13  
Date

Office of Clerk-Treasurer

## Town of Elnora

P O Box 336, Elnora, IN 47529 Office (812) 692-5415  
Fax (812)692-5271

August 7, 2013

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

RE: Corrective Action for Finding 2012-2, Internal Controls over Financial Transactions and Reporting

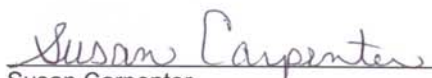
1. In order to strengthen our Internal Controls over Segregation of Duties, instead of the Clerk Treasure being the only one to verify the correctiveness of the monthly bank statements, we will have the Deputy look at them and verify that all accounts balance and are true to each statement.
2. The Town will improve on reporting the identification and analysis of the risks of materials misstatements to the Town's financial statements, and will determine how these shall be managed.
3. The Town Council will monitor all financial information and records and assess the quality of the Town's system of internal control.

Sincerely,



Heather Davis  
Clerk Treasurer

8/7/13  
Date



Susan Carpenter  
Town Council Secretary

8/7/13  
Date

TOWN OF ELNORA  
EXIT CONFERENCE

The contents of this report were discussed on August 7, 2013, with Heather Davis, Clerk-Treasurer, and Susan Carpenter, Secretary of the Town Board. The officials concurred with our audit findings.