

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF HOPE
BARTHOLOMEW COUNTY, INDIANA

January 1, 2012 to December 31, 2012



FILED
04/10/2017

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
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 <i>Government Auditing Standards</i>	6-7
Financial Statement and Accompanying Notes:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	10
Notes to Financial Statement	11-15
Other Information - Unaudited:	
Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-21
Schedule of Leases and Debt	22
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance	24-25
Schedule of Expenditures of Federal Awards and Accompanying Notes:	
Schedule of Expenditures of Federal Awards	28
Notes to Schedule of Expenditures of Federal Awards	29
Schedule of Findings and Questioned Costs	30-32
Auditee-Prepared Documents:	
Summary Schedule of Prior Audit Findings	34
Corrective Action Plan	35-36
Other Reports	37

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Robertson	01-01-09 to 12-31-12
	Diane Burton	01-01-13 to 12-31-20
President of the Town Council	Jonathan Titus	01-01-12 to 12-31-13
	Paula Pollitt	01-01-14 to 06-22-15
	Jonathan Titus	06-23-15 to 12-31-15
	Clyde Compton	01-01-16 to 12-31-17
Town Manager	Melina Fox	07-08-14 to 02-05-16
	(Vacant)	02-06-16 to 07-10-16
	JT Doane	07-11-16 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Hope (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement as listed in the Table of Contents.

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 from 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 to the financial statement, 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. The basis of accounting noted above is a different basis than that used in the prior year.

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 year ended 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 year ended December 31, 2012, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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.


Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis and Schedule of Leases and Debt, 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.

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 March 1, 2017, 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.


Paul D. Joyce, CPA
State Examiner

March 1, 2017



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON 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 HOPE, BARTHOLOMEW 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 Hope (Town), which comprises the financial position and results of operations for the year ended December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated March 1, 2017, 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town'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 2012-001 and 2012-002 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 from 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 item 2012-002.

Town of Hope'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.


Paul D. Joyce, CPA
State Examiner

March 1, 2017

(This page intentionally left blank.)

FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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.

TOWN OF HOPE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS

For the Year Ended December 31, 2012

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 74,415	\$ 468,572	\$ 425,699	\$ 117,288
MVH	169,158	55,057	93,089	131,126
Local Road & Street	60,575	22,969	13,997	69,547
Park Operating Fund	125	-	-	125
LLECE	10,636	2,359	3,458	9,537
Riverboat Tax Sharing	51,900	19,933	5,733	66,100
Rainy Day	9,728	-	-	9,728
CCD	38,728	36,906	44,193	31,441
CCI	47,523	5,575	-	53,098
General Levy Excess	755	-	755	-
Housing Revolving Loan	11,196	88	-	11,284
CEDIT	56,494	138,085	72,026	122,553
Payroll	11,078	381,645	383,923	8,800
Stormwater Operating	123,844	65,211	129,063	59,992
Stormwater Improvement	18,626	11,925	11,925	18,626
Sewer Operating	305,351	291,617	267,471	329,497
Sewer Customer Deposits	35,900	6,675	5,250	37,325
WW Debt Reserve	34,264	624,456	658,720	-
Water Operating	360,999	487,298	687,687	160,610
Water Bond Transfer	-	34,002	34,002	-
Water Consumer Deposit	41,447	6,750	5,738	42,459
Water Savings Cd	103,341	405	-	103,746
Water Debt	38,164	150	-	38,314
Utilities Clearing Account	80	647,295	647,331	44
Totals	<u>\$ 1,604,327</u>	<u>\$ 3,306,973</u>	<u>\$ 3,490,060</u>	<u>\$ 1,421,240</u>

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

TOWN OF HOPE
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 Indiana 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. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF HOPE
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

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

TOWN OF HOPE
NOTES TO FINANCIAL STATEMENT
(Continued)

Capital outlay. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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 HOPE
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, the following: 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. Restatements

For the year ended December 31, 2012, certain changes have been made to some of the beginning balances of the financial statement to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances:

Fund	Balance as of December 31, 2011	Prior Period Adjustment	Balance as of January 1, 2012
Utilities Clearing Account	\$ -	\$ 80	\$ 80

Note 7. Subsequent Events

On December 3, 2015, the Town was awarded a \$2,317,000 grant under the State's Drinking Water Revolving Loan program. The award consists of a \$1,392,000 loan bearing interest at 2 percent with a final maturity in January 2036 and a \$925,000 Bond anticipation note (BAN) bearing interest at 0 percent. The BAN is subject to loan forgiveness and shall be deemed forgiven and discharged on April 15, 2018, to the extent permitted by the grant. The loans will be used to make improvements to the Town's drinking water system.

On September 15, 2015, the Town was awarded a \$550,000 Community Development Block Grant to be used for water facilities improvements.

TOWN OF HOPE
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 8. Combined Funds

The Water Operating fund, Water Savings Cd fund, and Water Debt fund were reported individually in the current financial statement, but were combined into one fund for the prior financial statements.

(This page intentionally left blank.)

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial 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 Town's Annual Financial Report 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General	MVH	Local Road & Street	Park Operating Fund	LLECE	Riverboat Tax Sharing	Rainy Day
Cash and investments - beginning	\$ 74,415	\$ 169,158	\$ 60,575	\$ 125	\$ 10,636	\$ 51,900	\$ 9,728
Receipts:							
Taxes	301,094	-	-	-	-	-	-
Licenses and permits	2,151	-	-	-	1,875	-	-
Intergovernmental receipts	103,834	54,437	22,294	-	-	19,933	-
Charges for services	-	-	600	-	484	-	-
Fines and forfeits	7,988	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	53,505	620	75	-	-	-	-
Total receipts	<u>468,572</u>	<u>55,057</u>	<u>22,969</u>	<u>-</u>	<u>2,359</u>	<u>19,933</u>	<u>-</u>
Disbursements:							
Personal services	223,442	28,934	-	-	-	-	-
Supplies	37,438	11,828	10,060	-	2,188	-	-
Other services and charges	123,235	20,231	3,937	-	1,270	5,733	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	3,995	9,983	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	37,589	22,113	-	-	-	-	-
Total disbursements	<u>425,699</u>	<u>93,089</u>	<u>13,997</u>	<u>-</u>	<u>3,458</u>	<u>5,733</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>42,873</u>	<u>(38,032)</u>	<u>8,972</u>	<u>-</u>	<u>(1,099)</u>	<u>14,200</u>	<u>-</u>
Cash and investments - ending	<u>\$ 117,288</u>	<u>\$ 131,126</u>	<u>\$ 69,547</u>	<u>\$ 125</u>	<u>\$ 9,537</u>	<u>\$ 66,100</u>	<u>\$ 9,728</u>

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

	CCD	CCI	General Levy Excess	Housing Revolving Loan	CEDIT	Payroll
Cash and investments - beginning	\$ 38,728	\$ 47,523	\$ 755	\$ 11,196	\$ 56,494	\$ 11,078
Receipts:						
Taxes	8,901	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	98	5,575	-	-	138,085	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	27,907	-	-	88	-	381,645
Total receipts	<u>36,906</u>	<u>5,575</u>	<u>-</u>	<u>88</u>	<u>138,085</u>	<u>381,645</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	44,193	-	-	-	72,026	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	755	-	-	383,923
Total disbursements	<u>44,193</u>	<u>-</u>	<u>755</u>	<u>-</u>	<u>72,026</u>	<u>383,923</u>
Excess (deficiency) of receipts over disbursements	<u>(7,287)</u>	<u>5,575</u>	<u>(755)</u>	<u>88</u>	<u>66,059</u>	<u>(2,278)</u>
Cash and investments - ending	<u>\$ 31,441</u>	<u>\$ 53,098</u>	<u>\$ -</u>	<u>\$ 11,284</u>	<u>\$ 122,553</u>	<u>\$ 8,800</u>

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

	Stormwater Operating	Stormwater Improvement	Sewer Operating	Sewer Customer Deposits	WW Debt Reserve	Water Operating
Cash and investments - beginning	\$ 123,844	\$ 18,626	\$ 305,351	\$ 35,900	\$ 34,264	\$ 360,999
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	65,211	-	289,088	6,675	-	356,403
Other receipts	-	11,925	2,529	-	624,456	130,895
Total receipts	<u>65,211</u>	<u>11,925</u>	<u>291,617</u>	<u>6,675</u>	<u>624,456</u>	<u>487,298</u>
Disbursements:						
Personal services	-	-	83,221	-	-	83,780
Supplies	-	-	-	-	-	-
Other services and charges	-	-	3,817	-	-	10,633
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	69,436	-	-	-
Utility operating expenses	34,890	-	90,049	-	-	284,734
Other disbursements	94,173	11,925	20,948	5,250	658,720	308,540
Total disbursements	<u>129,063</u>	<u>11,925</u>	<u>267,471</u>	<u>5,250</u>	<u>658,720</u>	<u>687,687</u>
Excess (deficiency) of receipts over disbursements	<u>(63,852)</u>	<u>-</u>	<u>24,146</u>	<u>1,425</u>	<u>(34,264)</u>	<u>(200,389)</u>
Cash and investments - ending	<u>\$ 59,992</u>	<u>\$ 18,626</u>	<u>\$ 329,497</u>	<u>\$ 37,325</u>	<u>\$ -</u>	<u>\$ 160,610</u>

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

	Water Bond Transfer	Water Consumer Deposit	Water Savings Cd	Water Debt	Utilities Clearing Account	Totals
Cash and investments - beginning	\$ -	\$ 41,447	\$ 103,341	\$ 38,164	\$ 80	\$ 1,604,327
Receipts:						
Taxes	-	-	-	-	-	309,995
Licenses and permits	-	-	-	-	-	4,026
Intergovernmental receipts	-	-	-	-	-	344,256
Charges for services	-	-	-	-	-	1,084
Fines and forfeits	-	-	-	-	-	7,988
Utility fees	-	6,750	-	-	-	724,127
Other receipts	34,002	-	405	150	647,295	1,915,497
Total receipts	<u>34,002</u>	<u>6,750</u>	<u>405</u>	<u>150</u>	<u>647,295</u>	<u>3,306,973</u>
Disbursements:						
Personal services	-	-	-	-	-	419,377
Supplies	-	-	-	-	-	61,514
Other services and charges	-	-	-	-	-	285,075
Debt service - principal and interest	34,002	-	-	-	-	34,002
Capital outlay	-	-	-	-	-	83,414
Utility operating expenses	-	-	-	-	-	409,673
Other disbursements	-	5,738	-	-	647,331	2,197,005
Total disbursements	<u>34,002</u>	<u>5,738</u>	<u>-</u>	<u>-</u>	<u>647,331</u>	<u>3,490,060</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>1,012</u>	<u>405</u>	<u>150</u>	<u>(36)</u>	<u>(183,087)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 42,459</u>	<u>\$ 103,746</u>	<u>\$ 38,314</u>	<u>\$ 44</u>	<u>\$ 1,421,240</u>

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

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: ALLY	Vehicle Purchase	\$ 9,983	04/17/2012	04/17/2014
Total of annual lease payments		<u>\$ 9,983</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Water: Revenue bonds	Improvement of Drinking Water	\$ 381,000	\$ 33,655
Totals		<u>\$ 381,000</u>	<u>\$ 33,655</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Hope'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 year ended 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 the 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 year ended December 31, 2012.

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


Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the 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 types of requirements 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 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.

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 a 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 a 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.


Paul D. Joyce, CPA
State Examiner

March 1, 2017

(This page intentionally left blank.)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF HOPE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 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	Pass-Through To Subrecipient	Total Federal Awards Expended
<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					
Storm Water Project	Indiana Office of Community and Rural Affairs	14.228	DR1-09-101	\$ -	\$ 11,925
Wastewater Improvement	Indiana Office of Community and Rural Affairs		DR2-09-153	-	615,377
Comprehensive Master Plan	Indiana Office of Community and Rural Affairs		PL-11-005	-	27,907
Total - Department of Housing and Urban Development				-	655,209
Total federal awards expended				\$ -	\$ 655,209

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

TOWN OF HOPE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2012. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received.

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

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

Cause

Management had not established a system of internal control that would have ensured proper reporting of the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, misstatements of the SEFA could have remained undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2012-002 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

There were several deficiencies in the internal control system of the Town, including Water, Wastewater, and Storm Water Utilities, related to financial transactions and reconciling.

1. Lack of Segregation of Duties: The Town, including Water, Wastewater, and Storm Water Utilities, had not separated incompatible activities related to cash, receipts, disbursements, and payroll. The Clerk-Treasurer performed the monthly reconciliations, wrote and posted receipts, and posted disbursements with no oversight or approval process in place. The Utility Clerk received utility collections, posted customer accounts, made deposits, and performed the monthly reconciliations of the Utilities Clearing bank account with no oversight or approval process in place.

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

2. Transaction Recording: The Town had not developed controls to ensure that all financial transactions were recorded in the Town's records. Transactions of the Utilities Clearing Account had not been recorded in the Town's ledger. Audit adjustments were proposed, accepted by the Town, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

All financial transactions pertaining to the unit must be recorded in the records of the unit at the time of the transaction. (Accounting Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

Cause

Management had not developed an effective system of internal control to ensure that the financial activity was reported properly.

Effect

The failure to establish controls enabled material misstatements or irregularities to remain undetected.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

No matters are reportable.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.



Town of Hope

(INCLUDE ON OFFICIAL LETTERHEAD)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS


FINDING 2011-002

Fiscal year in which the finding initially occurred: 2011
Pass-Through Entity, if pass-through: Indiana Office of Community and Rural Affairs
Contact Person Responsible for Corrective Action: Diane Burton
Contact Phone Number: (812)546-0423

Status of Audit Finding: Resolved

The present procedure for cash management for the grant is that the Project Engineer/Clerk Treasurer presents to the Town Council members a pay voucher. Upon approval of the Town Council the Product Engineer/Clerk Treasurer presents the approved pay voucher to the Grant Administrator for their submission to the State for the drawdown of funds. The funds are electronically deposited in the Town's bank account and the State notifies by e-mail the Clerk Treasurer of the deposit. Upon receipt of the e-mail the Clerk Treasurer prepares a manual checks for the total amount deposited. A receipt for the revenue is created. Copies of the checks, e-mail of deposit and claims are faxed to the grant administrator.

At the end of each month during the end of month reconciliation the Clerk Treasurer will confer with the Grant Administrator for comparison of ledgers and the file maintained by the Grant Administrator.



(Signature)

Clerk Treasurer

(Title)

2/2/17

(Date)



Town of Hope

CORRECTIVE ACTION PLAN

FINDING 2012-001

Contact Person Responsible for Corrective Action: Diane Burton
Contact Phone Number: (812)546-0423

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Clerk Treasurer will prepare the SEFA in gateway. The information entered will then be verified by either the Deputy Clerk Treasurer or the Town Manager.

Anticipated Completion Date:

This will be implemented this year for the 2016 Annual Report.

(Signature)

Clerk Treasurer

(Title)

2/27/17

(Date)



Town of Hope

CORRECTIVE ACTION PLAN

FINDING 2012-002

Contact Person Responsible for Corrective Action: Diane Burton
Contact Phone Number: (812)546-0423

Views of Responsible Official:

We concur with the finding.

Description of Corrective Action Plan:

The Utility Clearing Account will now be reconciled by the Clerk Treasurer. The authorized signers on the Utility Clearing Account is the Clerk Treasurer and the Deputy Clerk Treasurer. All deposit totals will be compared to the posting total by another town employee for verification.

Anticipated Completion Date:

The authorized signers are being changed by the bank right now. This should be taken care of by the 1st of March, 2017. Utility Clearing Account bank reconciliation will begin in February. Verification of deposits will begin the 1st of March.

(Signature)

Clerk Treasurer

(Title)

2/27/17

(Date)

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.