

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

ANNUAL FINANCIAL REPORT

2010

TOWN OF WINONA LAKE

KOSCIUSKO COUNTY, INDIANA



FILED
09/07/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Financial Statement: Statement of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8
Notes to Financial Statement.....	9-13
Supplementary Information: Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-25
Schedule of Capital Assets.....	26
Audit Results and Comments: Timely Recordkeeping	27
Official Bond	27
Internal Controls Over Financial Transactions and Reporting	27
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	30-31
Schedule of Expenditures of Federal Awards	32
Notes to Schedule of Expenditures of Federal Awards.....	33
Schedule of Findings and Questioned Costs	34-35
Auditee Prepared Schedules: Summary Schedule of Prior Audit Findings	36
Corrective Action Plan.....	37
Exit Conference.....	38
Official Response	39-40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Retha S. Hicks	01-01-10 to 12-31-11
President of the Town Council	Terry Howie Sue Gooding	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Superintendent of Wastewater Utility	Severn Trent, Inc.	01-01-10 to 12-31-11



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF WINONA LAKE, KOSCIUSKO COUNTY, INDIANA

We have audited the accompanying financial statement of the Town of Winona Lake (Town), for the year ended December 31, 2010. This financial statement is the responsibility of the Town's management. Our responsibility is to express opinions on the 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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the financial 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, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 18, 2011, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

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 has been subjected to the auditing procedures applied in the audit of the financial statement and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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 Capital Assets are presented for additional analysis and are not required parts of the financial statement. The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis and Schedule of Capital Assets 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.

The Town's response to the Audit Results and Comments identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2011



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

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

TO: THE OFFICIALS OF THE TOWN OF WINONA LAKE, KOSCIUSKO COUNTY, INDIANA

We have audited the financial statement of the Town of Winona Lake (Town), for the year ended December 31, 2010, and have issued our report thereon dated August 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial 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 item 2010-1 to be material weaknesses.

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

Compliance and Other Matters

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

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

This report is intended solely for the information and use of the Town's management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2011

FINANCIAL STATEMENT

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

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 1,041,178	\$ 1,176,477	\$ 1,191,770	\$ 1,025,885
Motor Vehicle Highway	432,849	546,772	621,056	358,565
Local Road & Street	192,128	37,084	110,000	119,212
Park & Recreation	90,476	45,090	29,902	105,664
Christmas Decoration Fund	924	11	872	63
EDIT	935,614	277,498	(2,011)	1,215,123
WLHA Reimbursement	110,874	5,784	-	116,658
Local Law Enforcement Education	657	2,180	2,726	111
Riverboat	175,686	24,950	-	200,636
INDOT Grant 250 East	60,200	1,515	60,000	1,715
WL Improvement Donations	10,795	-	-	10,795
Police Vending Machine	834	89	834	89
Canal Project	5,234	17,880	11,294	11,820
LLEL Grant Mark Hartman	10,006	75,909	68,031	17,884
LLEL Grant John Mull	9,596	75,909	68,641	16,864
LLEL Grant J Bennett	9,140	75,908	68,269	16,779
LLEL Grant Lance Grubbs	7,522	75,908	65,927	17,503
LLEL Grant Phil Oliver	9,592	75,908	68,065	17,435
LLEL Grant Chris Mally	11,378	75,909	69,681	17,606
LLEL Grant Larry Woods	9,248	75,909	66,394	18,763
DUI Grant Money From State	5,879	26,325	27,153	5,051
Firefighting Fund	3,400	200	-	3,600
Rainy Day	273,398	213,179	32,000	454,577
Levy Excess Fund	-	2,853	-	2,853
LLE Block Grant	15	-	-	15
Aggressive Driving Grant	8,307	24,000	28,608	3,699
Brownfield Grant	14	-	-	14
ICJI - JAG Equipment Grant	-	8,145	8,145	-
Aggressive Drive Winona Lake	-	4,571	4,571	-
DUI Grant Winona Lake	-	2,874	2,874	-
OPO Grant Winona Lake	-	1,335	1,335	-
OPO Grant Money From State	9,322	52,225	51,379	10,168
Winona Lake Donations	59,268	18,566	12,942	64,892
Senior Center Fund	585	-	117	468
Police Donation	5,776	3,781	6,425	3,132
WLHA Rehab Program	14,721	181	-	14,902
Wastewater Utility Sinking	36,941	-	-	36,941
Cumulative Capital Improvement - Cig Tax	186,743	11,674	-	198,417
Cumulative Capital Development	368,879	-	10,764	358,115
WL Redevelopment District Bond	303,364	117,293	1,221	419,436
HUD	5,499	728	98	6,129
Payroll Old	-	618	618	-
Payroll Federal W/H	-	9,507	9,507	-
Payroll State W/H	-	4,769	2,559	2,210
Payroll Local Tax	-	1,323	709	614
Payroll Aflac	-	1,087	1,087	-
Payroll Medicare	-	15,544	15,544	-
Payroll Direct Deposit	-	70,727	70,727	-
Payroll Garnishment	-	800	800	-
Payroll Health Savings Account	-	3,455	3,455	-
Payroll Health Life	-	9,478	5,775	3,703
Payroll Deferred Savings	-	5,347	5,347	-
Payroll Child Support	-	1,050	1,050	-
Payroll Repay Loan	-	1,235	1,235	-
Payroll United Way	-	105	-	105
Payroll	12,266	628,906	641,172	-
Wastewater Operating	1,224,543	1,009,802	976,518	1,257,827
Wastewater Bond Interest	51,932	-	-	51,932
Wastewater Improvement	154,559	-	-	154,559
Wastewater Construction	150,000	-	-	150,000
Wastewater Replacement	55,000	-	-	55,000
Wastewater Debt Service Reserve	88,850	-	-	88,850
Totals	<u>\$ 6,143,192</u>	<u>\$ 4,918,373</u>	<u>\$ 4,425,186</u>	<u>\$ 6,636,379</u>

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

TOWN OF WINONA LAKE
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, wastewater, and urban redevelopment.

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, 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

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

Charges for services which can include, but are not limited to the following: 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.

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

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

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

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

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

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

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

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

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 WINONA LAKE
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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

Note 6. Pension Plan

A. Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

TOWN OF WINONA LAKE
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

Note 7. Subsequent Events

The Town was a victim of "Cyber Theft" on April 27, 2011 at the amount of \$9,300. This theft was investigated by both the bank and law enforcement. The entire amount was recovered from the bank. Appropriate actions have been taken to institute controls to guard against this type of theft in the future.

(This page intentionally left blank.)

SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Park & Recreation	Christmas Decoration Fund	EDIT	WLHA Reimbursement
Cash and investments - beginning	\$ 1,041,178	\$ 432,849	\$ 192,128	\$ 90,476	\$ 924	\$ 935,614	\$ 110,874
Receipts:							
Taxes	481,518	391,163	-	-	-	-	-
Licenses and permits	3,970	-	-	-	-	-	-
Intergovernmental	408,746	151,016	37,084	11,282	-	277,498	-
Charges for services	109,052	-	-	26,279	-	-	-
Fines and forfeits	35,087	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	138,104	4,593	-	7,529	11	-	5,784
Total receipts	<u>1,176,477</u>	<u>546,772</u>	<u>37,084</u>	<u>45,090</u>	<u>11</u>	<u>277,498</u>	<u>5,784</u>
Disbursements:							
Personal services	463,227	72,485	-	12,281	-	-	-
Supplies	47,910	89,588	-	10,881	-	-	-
Other services and charges	637,102	440,337	-	6,740	872	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	43,531	18,646	110,000	-	-	(2,011)	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>1,191,770</u>	<u>621,056</u>	<u>110,000</u>	<u>29,902</u>	<u>872</u>	<u>(2,011)</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(15,293)</u>	<u>(74,284)</u>	<u>(72,916)</u>	<u>15,188</u>	<u>(861)</u>	<u>279,509</u>	<u>5,784</u>
Cash and investments - ending	<u>\$ 1,025,885</u>	<u>\$ 358,565</u>	<u>\$ 119,212</u>	<u>\$ 105,664</u>	<u>\$ 63</u>	<u>\$ 1,215,123</u>	<u>\$ 116,658</u>

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

	Local Law Enforcement Education	Riverboat	INDOT Grant 250 East	WL Improvement Donations	Police Vending Machine	Canal Project	LLEL Grant Mark Hartman
Cash and investments - beginning	\$ 657	\$ 175,686	\$ 60,200	\$ 10,795	\$ 834	\$ 5,234	\$ 10,006
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	24,950	1,515	-	-	-	75,909
Charges for services	2,180	-	-	-	-	17,880	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	89	-	-
Total receipts	<u>2,180</u>	<u>24,950</u>	<u>1,515</u>	<u>-</u>	<u>89</u>	<u>17,880</u>	<u>75,909</u>
Disbursements:							
Personal services	-	-	-	-	-	-	65,408
Supplies	2,726	-	-	-	-	-	-
Other services and charges	-	-	-	-	834	11,294	2,623
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	60,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>2,726</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>834</u>	<u>11,294</u>	<u>68,031</u>
Excess (deficiency) of receipts over disbursements	<u>(546)</u>	<u>24,950</u>	<u>(58,485)</u>	<u>-</u>	<u>(745)</u>	<u>6,586</u>	<u>7,878</u>
Cash and investments - ending	<u>\$ 111</u>	<u>\$ 200,636</u>	<u>\$ 1,715</u>	<u>\$ 10,795</u>	<u>\$ 89</u>	<u>\$ 11,820</u>	<u>\$ 17,884</u>

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

	LLEL Grant John Mull	LLEL Grant J Bennett	LLEL Grant Lance Grubbs	LLEL Grant Phil Oliver	LLEL Grant Chris Mally	LLEL Grant Larry Woods	DUI Grant Money From State
Cash and investments - beginning	\$ 9,596	\$ 9,140	\$ 7,522	\$ 9,592	\$ 11,378	\$ 9,248	\$ 5,879
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	75,909	75,908	75,908	75,908	75,909	75,909	26,325
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>75,909</u>	<u>75,908</u>	<u>75,908</u>	<u>75,908</u>	<u>75,909</u>	<u>75,909</u>	<u>26,325</u>
Disbursements:							
Personal services	66,018	65,646	63,304	65,442	67,058	63,771	3,029
Supplies	-	-	-	-	-	-	-
Other services and charges	2,623	2,623	2,623	2,623	2,623	2,623	24,124
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>68,641</u>	<u>68,269</u>	<u>65,927</u>	<u>68,065</u>	<u>69,681</u>	<u>66,394</u>	<u>27,153</u>
Excess (deficiency) of receipts over disbursements	<u>7,268</u>	<u>7,639</u>	<u>9,981</u>	<u>7,843</u>	<u>6,228</u>	<u>9,515</u>	<u>(828)</u>
Cash and investments - ending	<u>\$ 16,864</u>	<u>\$ 16,779</u>	<u>\$ 17,503</u>	<u>\$ 17,435</u>	<u>\$ 17,606</u>	<u>\$ 18,763</u>	<u>\$ 5,051</u>

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

	Firefighting Fund	Rainy Day	Levy Excess Fund	LLE Block Grant	Agressive Driving Grant	Brownfield Grant
Cash and investments - beginning	\$ 3,400	\$ 273,398	\$ -	\$ 15	\$ 8,307	\$ 14
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	24,000	-
Charges for services	200	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	213,179	2,853	-	-	-
Total receipts	<u>200</u>	<u>213,179</u>	<u>2,853</u>	<u>-</u>	<u>24,000</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	28,108	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	500	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	32,000	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>32,000</u>	<u>-</u>	<u>-</u>	<u>28,608</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>200</u>	<u>181,179</u>	<u>2,853</u>	<u>-</u>	<u>(4,608)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 3,600</u>	<u>\$ 454,577</u>	<u>\$ 2,853</u>	<u>\$ 15</u>	<u>\$ 3,699</u>	<u>\$ 14</u>

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

	ICJI JAG Equipment Grant	Agressive Drive Winona Lake	DUI Grant Winona Lake	OPO Grant Winona Lake	OP Grant Money From State	Winona Lake Donations
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 9,322	\$ 59,268
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	8,145	4,571	2,874	1,335	52,225	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	-	-	-	-	18,566
Total receipts	8,145	4,571	2,874	1,335	52,225	18,566
Disbursements:						
Personal services	-	4,571	2,874	-	48,684	-
Supplies	-	-	-	-	-	7,889
Other services and charges	-	-	-	1,335	687	5,053
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	8,145	-	-	-	2,008	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	8,145	4,571	2,874	1,335	51,379	12,942
Excess (deficiency) of receipts over disbursements	-	-	-	-	846	5,624
Cash and investments - ending	\$ -	\$ -	\$ -	\$ -	\$ 10,168	\$ 64,892

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

	Senior Center Fund	Police Donation	WLHA Rehab Program	Wastewater Utility Sinking	Cumulative Capital Improvement Cig Tax	Cumulative Capital Development
Cash and investments - beginning	\$ 585	\$ 5,776	\$ 14,721	\$ 36,941	\$ 186,743	\$ 368,879
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,500	-	-	11,674	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	2,281	181	-	-	-
Total receipts	<u>-</u>	<u>3,781</u>	<u>181</u>	<u>-</u>	<u>11,674</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	117	6,425	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	10,764
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>117</u>	<u>6,425</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,764</u>
Excess (deficiency) of receipts over disbursements	<u>(117)</u>	<u>(2,644)</u>	<u>181</u>	<u>-</u>	<u>11,674</u>	<u>(10,764)</u>
Cash and investments - ending	<u>\$ 468</u>	<u>\$ 3,132</u>	<u>\$ 14,902</u>	<u>\$ 36,941</u>	<u>\$ 198,417</u>	<u>\$ 358,115</u>

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

	WL Redevelopment District Bond	HUD	Payroll Old	Payroll Federal W/H	Payroll State W/H	Payroll Local Tax
Cash and investments - beginning	\$ 303,364	\$ 5,499	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	117,293	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	-	728	618	9,507	4,769	1,323
Total receipts	<u>117,293</u>	<u>728</u>	<u>618</u>	<u>9,507</u>	<u>4,769</u>	<u>1,323</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	98	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	1,221	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	618	9,507	2,559	709
Total disbursements	<u>1,221</u>	<u>98</u>	<u>618</u>	<u>9,507</u>	<u>2,559</u>	<u>709</u>
Excess (deficiency) of receipts over disbursements	<u>116,072</u>	<u>630</u>	<u>-</u>	<u>-</u>	<u>2,210</u>	<u>614</u>
Cash and investments - ending	<u>\$ 419,436</u>	<u>\$ 6,129</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,210</u>	<u>\$ 614</u>

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

	Payroll Aflac	Payroll Medicare	Payroll Direct Deposit	Payroll Garnishment	Payroll Health Savings Account	Payroll Health Life
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	1,087	15,544	70,727	800	3,455	9,478
Total receipts	<u>1,087</u>	<u>15,544</u>	<u>70,727</u>	<u>800</u>	<u>3,455</u>	<u>9,478</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,087	15,544	70,727	800	3,455	5,775
Total disbursements	<u>1,087</u>	<u>15,544</u>	<u>70,727</u>	<u>800</u>	<u>3,455</u>	<u>5,775</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,703</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,703</u>

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

	Payroll Deferred Savings	Payroll Child Support	Payroll Repay Loan	Payroll United Way	Payroll	Wastewater Operating
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 12,266	\$ 1,224,543
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	879,359
Penalties	-	-	-	-	-	26,128
Other receipts	5,347	1,050	1,235	105	628,906	104,315
Total receipts	<u>5,347</u>	<u>1,050</u>	<u>1,235</u>	<u>105</u>	<u>628,906</u>	<u>1,009,802</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	48,151
Capital outlay	-	-	-	-	-	25,529
Utility operating expenses	-	-	-	-	-	811,820
Other disbursements	5,347	1,050	1,235	-	641,172	91,018
Total disbursements	<u>5,347</u>	<u>1,050</u>	<u>1,235</u>	<u>-</u>	<u>641,172</u>	<u>976,518</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>(12,266)</u>	<u>33,284</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105</u>	<u>\$ -</u>	<u>\$ 1,257,827</u>

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

	Wastewater Bond Interest	Wastewater Improvement	Wastewater Construction	Wastewater Replacement	Wastewater Debt Service Reserve	Totals
Cash and investments - beginning	\$ 51,932	\$ 154,559	\$ 150,000	\$ 55,000	\$ 88,850	\$ 6,143,192
Receipts:						
Taxes	-	-	-	-	-	989,974
Licenses and permits	-	-	-	-	-	3,970
Intergovernmental	-	-	-	-	-	1,576,100
Charges for services	-	-	-	-	-	155,591
Fines and forfeits	-	-	-	-	-	35,087
Utility fees	-	-	-	-	-	879,359
Penalties	-	-	-	-	-	26,128
Other receipts	-	-	-	-	-	1,252,164
Total receipts	-	-	-	-	-	4,918,373
Disbursements:						
Personal services	-	-	-	-	-	1,091,906
Supplies	-	-	-	-	-	165,536
Other services and charges	-	-	-	-	-	1,147,337
Debt service - principal and interest	-	-	-	-	-	48,151
Capital outlay	-	-	-	-	-	309,833
Utility operating expenses	-	-	-	-	-	811,820
Other disbursements	-	-	-	-	-	850,603
Total disbursements	-	-	-	-	-	4,425,186
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	493,187
Cash and investments - ending	\$ 51,932	\$ 154,559	\$ 150,000	\$ 55,000	\$ 88,850	\$ 6,636,379

TOWN OF WINONA LAKE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 110,862
Infrastructure	3,542,044
Buildings	1,376,468
Machinery and equipment	<u>1,860,289</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 6,889,663</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Infrastructure	\$ 2,683,330
Buildings	218,989
Machinery and equipment	<u>436,335</u>
Total business-type activities capital assets	<u>\$ 3,338,654</u>

TOWN OF WINONA LAKE
AUDIT RESULTS AND COMMENTS

TIMELY RECORDKEEPING

Liens for wastewater delinquencies were certified to the County Auditor and were placed on tax rolls for 2010. Payments were received from the County for the liens filed. The Town of Winona Lake Wastewater Utility deposited the money into the bank account but has not posted the transaction to the customer accounts as of July 26, 2011.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

In lieu of an individual surety bond, the Town of Winona Lake Clerk-Treasurer is covered under a crime insurance policy for \$50,000. The most recent policy filed in the office of the Kosciusko County Recorder is dated June 17, 2007, and was recorded in 2008.

Indiana Code 5-4-1-18(c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers, . . . as follows:

- (1) The amount must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount for the officer or employee.

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:

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

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

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF WINONA LAKE, KOSCIUSKO COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Winona Lake (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2010. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

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

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

The Town's response to the findings identified in our audit is described in the accompanying Official Response. We did not audit the Town's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 18, 2011

TOWN OF WINONA LAKE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Edward Byrne Memorial Justice Assistance Grant Program JAG 10K & Under Equipment Grant	16.738	06-DJ-076	\$ <u>8,145</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Big City/Big County	20.600	PT-11-04-04-19	<u>3,582</u>
Alcohol Impaired Driving Countermeasures Incentive Grants I Law Enforcement Liaison DUI Task Force DUI Task Force Big City/Big County Dangerous Driving Enforcement Program Dangerous Driving Enforcement Program	20.601	PT-10-04-01-51 K8-2010-03-03-16 K8-2011-03-03-16 PT-10-04-04-19 K4-2010-08-01-10 CA-2011-08-01-09	412,081 26,879 1,324 49,823 28,307 <u>1,302</u>
Total for program			<u>519,716</u>
Safety Belt Performance Grants Law Enforcement Liaison	20.609	PT-11-04-01-51	<u>71,565</u>
Total for federal grantor agency			<u>594,863</u>
Total federal awards expended			<u>\$ <u>603,008</u></u>

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

TOWN OF WINONA LAKE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Winona Lake (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Note 2. Subrecipients

Of the federal expenditures presented in the schedule, the Town provided federal awards to subrecipients as follows for the year ended December 31, 2010:

Program Title	Federal CFDA Number	2010
State and Community Highway Safety Alcohol Impaired Driving	20.600	\$ 47,349
Countermeasures Incentive Grants I	20.601	42,791

TOWN OF WINONA LAKE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

***FINDING 2010-1 - 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:

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

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

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

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

Town of Winona Lake

1310 Park Ave., P.O. Box 338
Winona Lake, Indiana 46590
(574) 267-5783 or 267-7581
Fax (574) 267-4793

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2009-1, Internal Controls over Financial Transactions and Reporting

Original SBA Audit Report Number: B37320

Fiscal Year: 2008-2009

Auditee Contact Person: Retha S. Hicks

Title of Contact Person: Clerk-Treasurer

Phone Number: 574-267-5783

Status of Finding:

The Clerk Treasurer's Office has reviewed their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation. However the Town is a very small governmental unit and management has determined the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Signature: Retha S. Hicks
Retha S. Hicks, Winona Lake Clerk-Treasurer

Date: 8/22/11



TOWN OF WINONA LAKE

1310 Park Ave., P.O. Box 338
Winona Lake, IN 46590
(574)267-5783 or 267-7581
Fax (574)267-4793

August 22, 2011

FEDERAL FINDING 2010-1, INTERNAL CONTROLS OVER FINANCIAL
TRANSACTIONS AND REPORTING

The management of the Town of Winona Lake has reviewed the Financial Statement Finds related to their audit for the year 2010 and we offer the following corrective actions:

Lack of Segregation of Duties – The Clerk-Treasurer’s Office will review their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation. However, the town is a very small governmental unit and management has determined the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

Sincerely,



Retha S. Hicks
Winona Lake Clerk Treasurer



TOWN OF WINONA LAKE
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2011, with Retha S. Hicks, Clerk-Treasurer; and Randy Swanson, Vice President of the Town Council. The Official Response has been made a part of this report and may be found on pages 39 and 40.

Town of Winona Lake

P.O. Box 338
Winona Lake, Indiana 46590
(219) 267-5783 or 267-7581
Fax (219) 267-4793

August 24, 2011

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

To Whom It May Concern:

The Winona Lake Town Council and Winona Lake Clerk-Treasurer wish to file an **OFFICIAL RESPONSE** in the form of a letter to be bound in the audit report as follows:

TIMELY RECORDKEEPING

The Town of Winona Lake went through a software change in December 2010. The new software company was going to be completing an update on their lien process and the vendor recommended the town wait until that software was updated before beginning training on the lien application. The vendor had some issues that caused a delay; then the town employee experienced some health issues (heart attack); the two things combined caused the delay in the posting. It has now been completed. The employee spent three days on the phone with the vendor to accomplish the task.

OFFICIAL BOND

The Winona Lake Clerk-Treasurer did have a crime coverage policy for the amount needed to comply with state statute for the years following 2008. I did not record the policy with the County Recorder's office but have currently done so to comply.

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Lack of Segregation of Duties – The Clerk-Treasurer's Office will review their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation.



"Princess Winona"



Town of Winona Lake

P.O. Box 338
Winona Lake, Indiana 46590
(219) 267-5783 or 267-7581
Fax (219) 267-4793

However, the town is a very small governmental unit and management has determined the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current design of their business office.

BANK ACCOUNT RECONCILIATIONS

The TMOD issue will be addressed by inserting the Excel file of the reconciliation of the Money Market and TrustIN investments' interest into the monthly bank reconciliation paperwork. The file lists the individual investments monthly. The Clerk-Treasurer stated she would breakdown the investment interest on the monthly receipt also. She thought this would also be helpful.

Thank you for your assistance. Auditor Brenda Urbin was very helpful and pleasant to work with. Winona Lake had several odd issues to work through and she demonstrated patience and professionalism throughout. Field Supervisor Dean Gurlach was also very helpful to assist us through the conflicts. Excellent staff!

Sincerely,



Retha S. Hicks
Winona Lake Clerk-Treasurer



"Princess Winona"

