

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WINSLOW
PIKE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
07/23/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joetta Gordoff	01-01-11 to 01-23-11
	Beth Bennett	01-24-11 to 12-31-15
President of the Town Council	Jeffery Bolin	01-01-11 to 01-23-11
	Donald Bolin	01-24-11 to 12-31-11
	David Tisdale	01-01-12 to 12-31-12
	Donald Bolin	01-01-13 to 12-31-13
Superintendent of Utilities	Todd Williams	01-01-11 to 07-20-12
	William Arvin	07-21-12 to 12-31-13



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WINSLOW, PIKE COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

As discussed in Note 1 of the financial 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 24, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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



Bruce Hartman
State Examiner

June 24, 2013



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

TO: THE OFFICIALS OF THE TOWN OF WINSLOW, PIKE 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 Winslow (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 24, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

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

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

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 2012-1 to be a material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those

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)

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 2012-1.

Town of Winslow's Response to Findings

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

Purpose of This Report

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



Bruce Hartman
State Examiner

June 24, 2013

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FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 58,517	\$ 207,630	\$ 224,908	\$ 41,239	\$ 176,476	\$ 205,854	\$ 11,861
Motor Vehicle Highway	(3,542)	37,459	56,257	(22,340)	40,739	18,301	98
Local Road And Street	6,091	3,655	2,152	7,594	3,612	1,595	9,611
Continuing Law Enforcement Edu	390	511	-	901	337	972	266
Rainy Day	8,333	-	-	8,333	-	-	8,333
Water Project DR2-09-174	-	299,729	299,729	-	681,389	681,380	9
Cumulative Capital Development	20,937	10,803	25,000	6,740	2,553	1,673	7,620
Winslow Good Start	2,392	2,492	56	4,828	1,800	5,325	1,303
Cumulative Capital Improvement	29,664	1,333	25,000	5,997	33	6,000	30
EDIT	32,872	13,636	41,075	5,433	14,966	15,336	5,063
Payroll Fund	7,657	253,703	251,642	9,718	240,352	237,857	12,213
Wastewater Operations	30,008	218,804	206,212	42,600	183,395	187,671	38,324
Wastewater Bond & Interest	31,423	15,133	42,075	4,481	4	-	4,485
Wastewater Depreciation	30,373	113	30,000	486	-	-	486
Wastewater Debt Reserve	961	-	-	961	-	-	961
Water Operations	21,372	205,937	177,499	49,810	192,857	216,176	26,491
Water Bond & Interest	1,801	57	3,073	(1,215)	10,201	8,888	98
Water Depreciation	5,534	40,449	19,292	26,691	5,611	4,762	27,540
Water Meter Deposit	31,617	5,675	5,381	31,911	4,825	4,870	31,866
Totals	<u>\$ 316,400</u>	<u>\$ 1,317,119</u>	<u>\$ 1,409,351</u>	<u>\$ 224,168</u>	<u>\$ 1,559,150</u>	<u>\$ 1,596,660</u>	<u>\$ 186,658</u>

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

TOWN OF WINSLOW
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 and urban redevelopment and housing.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

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

TOWN OF WINSLOW
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

E. Disbursements

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

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

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

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

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 WINSLOW
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 WINSLOW
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

TOWN OF WINSLOW
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 INPRS.

Note 7. Cash Balance Deficits

The financial statement contains some funds with deficits in cash. This is a result of having more expenses within the fund than receipts coming into fund.

SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General	Motor Vehicle Highway	Local Road And Street	Continuing Law Enforcement Edu	Rainy Day	Water Project DR2-09-174	Cumulative Capital Development
Cash and investments - beginning	\$ 58,517	\$ (3,542)	\$ 6,091	\$ 390	\$ 8,333	\$ -	\$ 20,937
Receipts:							
Taxes	91,052	11,290	-	-	-	-	1,786
Licenses and permits	951	-	-	500	-	-	-
Intergovernmental	19,467	25,974	3,655	-	-	-	9,017
Charges for services	25,847	195	-	-	-	-	-
Fines and forfeits	7,820	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	62,493	-	-	11	-	299,729	-
Total receipts	<u>207,630</u>	<u>37,459</u>	<u>3,655</u>	<u>511</u>	<u>-</u>	<u>299,729</u>	<u>10,803</u>
Disbursements:							
Personal services	89,709	45,305	-	-	-	-	-
Supplies	19,572	10,026	2,152	-	-	-	-
Other services and charges	102,964	822	-	-	-	123,558	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	7,627	104	-	-	-	176,171	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	5,036	-	-	-	-	-	25,000
Total disbursements	<u>224,908</u>	<u>56,257</u>	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>299,729</u>	<u>25,000</u>
Excess (deficiency) of receipts over disbursements	<u>(17,278)</u>	<u>(18,798)</u>	<u>1,503</u>	<u>511</u>	<u>-</u>	<u>-</u>	<u>(14,197)</u>
Cash and investments - ending	<u>\$ 41,239</u>	<u>\$ (22,340)</u>	<u>\$ 7,594</u>	<u>\$ 901</u>	<u>\$ 8,333</u>	<u>\$ -</u>	<u>\$ 6,740</u>

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

	Winslow Good Start	Cumulative Capital Improvement	EDIT	Payroll Fund	Wastewater Operations	Wastewater Bond & Interest	Wastewater Depreciation
Cash and investments - beginning	\$ 2,392	\$ 29,664	\$ 32,872	\$ 7,657	\$ 30,008	\$ 31,423	\$ 30,373
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	1,224	13,636	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	184,452	-	-
Penalties	-	-	-	-	60	-	-
Other receipts	2,492	109	-	253,703	34,292	15,133	113
Total receipts	<u>2,492</u>	<u>1,333</u>	<u>13,636</u>	<u>253,703</u>	<u>218,804</u>	<u>15,133</u>	<u>113</u>
Disbursements:							
Personal services	-	-	-	217,207	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	56	-	75	7	-	-	-
Debt service - principal and interest	-	-	16,000	-	-	-	-
Capital outlay	-	25,000	-	-	-	-	-
Utility operating expenses	-	-	-	-	175,276	-	-
Other disbursements	-	-	25,000	34,428	30,936	42,075	30,000
Total disbursements	<u>56</u>	<u>25,000</u>	<u>41,075</u>	<u>251,642</u>	<u>206,212</u>	<u>42,075</u>	<u>30,000</u>
Excess (deficiency) of receipts over disbursements	<u>2,436</u>	<u>(23,667)</u>	<u>(27,439)</u>	<u>2,061</u>	<u>12,592</u>	<u>(26,942)</u>	<u>(29,887)</u>
Cash and investments - ending	<u>\$ 4,828</u>	<u>\$ 5,997</u>	<u>\$ 5,433</u>	<u>\$ 9,718</u>	<u>\$ 42,600</u>	<u>\$ 4,481</u>	<u>\$ 486</u>

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

	Wastewater Debt Reserve	Water Operations	Water Bond & Interest	Water Depreciation	Water Meter Deposit	Totals
Cash and investments - beginning	\$ 961	\$ 21,372	\$ 1,801	\$ 5,534	\$ 31,617	\$ 316,400
Receipts:						
Taxes	-	11,304	-	-	-	115,432
Licenses and permits	-	-	-	-	-	1,451
Intergovernmental	-	-	-	-	-	72,973
Charges for services	-	-	-	-	-	26,042
Fines and forfeits	-	-	-	-	-	7,820
Utility fees	-	179,848	-	-	5,500	369,800
Penalties	-	908	-	-	-	968
Other receipts	-	13,877	57	40,449	175	722,633
Total receipts	-	205,937	57	40,449	5,675	1,317,119
Disbursements:						
Personal services	-	-	-	-	-	352,221
Supplies	-	-	-	-	-	31,750
Other services and charges	-	-	-	-	-	227,482
Debt service - principal and interest	-	-	-	-	-	16,000
Capital outlay	-	-	-	4,292	-	213,194
Utility operating expenses	-	160,192	-	-	-	335,468
Other disbursements	-	17,307	3,073	15,000	5,381	233,236
Total disbursements	-	177,499	3,073	19,292	5,381	1,409,351
Excess (deficiency) of receipts over disbursements	-	28,438	(3,016)	21,157	294	(92,232)
Cash and investments - ending	\$ 961	\$ 49,810	\$ (1,215)	\$ 26,691	\$ 31,911	\$ 224,168

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

	General	Motor Vehicle Highway	Local Road And Street	Continuing Law Enforcement Edu	Rainy Day	Water Project DR2-09-174	Cumulative Capital Development
Cash and investments - beginning	\$ 41,239	\$ (22,340)	\$ 7,594	\$ 901	\$ 8,333	\$ -	\$ 6,740
Receipts:							
Taxes	97,605	13,593	-	-	-	-	1,961
Licenses and permits	5,242	-	-	320	-	-	-
Intergovernmental	41,576	26,561	3,612	-	-	681,389	592
Charges for services	21,809	585	-	17	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	10,244	-	-	-	-	-	-
Total receipts	<u>176,476</u>	<u>40,739</u>	<u>3,612</u>	<u>337</u>	<u>-</u>	<u>681,389</u>	<u>2,553</u>
Disbursements:							
Personal services	108,523	6,157	-	-	-	-	-
Supplies	19,016	10,389	1,595	-	-	-	-
Other services and charges	57,750	1,288	-	972	-	105,165	-
Debt service - principal and interest	10,000	-	-	-	-	-	-
Capital outlay	7,955	467	-	-	-	576,215	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	2,610	-	-	-	-	-	1,673
Total disbursements	<u>205,854</u>	<u>18,301</u>	<u>1,595</u>	<u>972</u>	<u>-</u>	<u>681,380</u>	<u>1,673</u>
Excess (deficiency) of receipts over disbursements	<u>(29,378)</u>	<u>22,438</u>	<u>2,017</u>	<u>(635)</u>	<u>-</u>	<u>9</u>	<u>880</u>
Cash and investments - ending	<u>\$ 11,861</u>	<u>\$ 98</u>	<u>\$ 9,611</u>	<u>\$ 266</u>	<u>\$ 8,333</u>	<u>\$ 9</u>	<u>\$ 7,620</u>

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

	Winslow Good Start	Cumulative Capital Improvement	EDIT	Payroll Fund	Wastewater Operations	Wastewater Bond & Interest	Wastewater Depreciation
Cash and investments - beginning	\$ 4,828	\$ 5,997	\$ 5,433	\$ 9,718	\$ 42,600	\$ 4,481	\$ 486
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	14,966	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	172,509	-	-
Penalties	-	-	-	-	6,164	-	-
Other receipts	1,800	33	-	240,352	4,722	4	-
Total receipts	<u>1,800</u>	<u>33</u>	<u>14,966</u>	<u>240,352</u>	<u>183,395</u>	<u>4</u>	<u>-</u>
Disbursements:							
Personal services	-	-	-	237,678	-	-	-
Supplies	265	-	236	-	-	-	-
Other services and charges	60	-	-	80	-	-	-
Debt service - principal and interest	5,000	-	10,000	-	-	-	-
Capital outlay	-	6,000	-	-	-	-	-
Utility operating expenses	-	-	-	-	168,858	-	-
Other disbursements	-	-	5,100	99	18,813	-	-
Total disbursements	<u>5,325</u>	<u>6,000</u>	<u>15,336</u>	<u>237,857</u>	<u>187,671</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(3,525)</u>	<u>(5,967)</u>	<u>(370)</u>	<u>2,495</u>	<u>(4,276)</u>	<u>4</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,303</u>	<u>\$ 30</u>	<u>\$ 5,063</u>	<u>\$ 12,213</u>	<u>\$ 38,324</u>	<u>\$ 4,485</u>	<u>\$ 486</u>

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

	Wastewater Debt Reserve	Water Operations	Water Bond & Interest	Water Depreciation	Water Meter Deposit	Totals
Cash and investments - beginning	\$ 961	\$ 49,810	\$ (1,215)	\$ 26,691	\$ 31,911	\$ 224,168
Receipts:						
Taxes	-	-	-	-	-	113,159
Licenses and permits	-	-	-	-	-	5,562
Intergovernmental	-	-	-	-	-	768,696
Charges for services	-	-	-	-	-	22,411
Utility fees	-	187,442	-	-	4,825	364,776
Penalties	-	3,937	-	-	-	10,101
Other receipts	-	1,478	10,201	5,611	-	274,445
Total receipts	<u>-</u>	<u>192,857</u>	<u>10,201</u>	<u>5,611</u>	<u>4,825</u>	<u>1,559,150</u>
Disbursements:						
Personal services	-	-	-	-	-	352,358
Supplies	-	-	-	-	-	31,501
Other services and charges	-	-	-	-	-	165,315
Debt service - principal and interest	-	-	-	-	-	25,000
Capital outlay	-	14,733	-	-	-	605,370
Utility operating expenses	-	164,405	36	4,762	3,756	341,817
Other disbursements	-	37,038	8,852	-	1,114	75,299
Total disbursements	<u>-</u>	<u>216,176</u>	<u>8,888</u>	<u>4,762</u>	<u>4,870</u>	<u>1,596,660</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(23,319)</u>	<u>1,313</u>	<u>849</u>	<u>(45)</u>	<u>(37,510)</u>
Cash and investments - ending	<u>\$ 961</u>	<u>\$ 26,491</u>	<u>\$ 98</u>	<u>\$ 27,540</u>	<u>\$ 31,866</u>	<u>\$ 186,658</u>

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

<u>Government or Enterprise</u>	<u>Accounts Payable</u>	<u>Accounts Receivable</u>
Governmental activities	\$ 275	\$ 2,774
Wastewater	-	15,950
Water	<u>568</u>	<u>14,975</u>
Totals	<u>\$ 843</u>	<u>\$ 33,699</u>

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
Notes and loans payable	Lawn Mower Lease	\$ 2,416	\$ 2,230
Wastewater:			
Revenue bonds	Sewage Works Revenue Bond	502,000	41,100
Water:			
General obligation bonds	Special Program Waterworks Bond	81,000	12,360
Revenue bonds	Waterworks Revenue Bond	220,000	31,000
Total Water		301,000	43,360
Totals		\$ 805,416	\$ 86,690

TOWN OF WINSLOW
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 22,000
Infrastructure	10,000
Buildings	768,500
Improvements other than buildings	5,000
Machinery, equipment, and vehicles	150,000
Total governmental activities	955,500
Wastewater:	
Land	30,000
Infrastructure	3,500,000
Buildings	50,000
Improvements other than buildings	10,000
Machinery, equipment, and vehicles	50,000
Total Wastewater	3,640,000
Water:	
Land	10,000
Infrastructure	2,000,000
Buildings	150,000
Improvements other than buildings	20,000
Machinery, equipment, and vehicles	50,000
Total Water	2,230,000
Total capital assets	\$ 6,825,500

TOWN OF WINSLOW
AUDIT RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2011	\$ 18,452
Cumulative Capital Development	2011	13,000
General	2012	71,291

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

A similar comment appeared in the prior report.

COMPENSATION AND BENEFITS

The Deputy Marshall received \$605 in payments for maintenance on police cars for 2011 and 2012 which were not included in the payroll system or on the salary ordinance or resolution.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in the prior report.

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the years 2011 and 2012.

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

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

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

TOWN OF WINSLOW
AUDIT RESULTS AND COMMENTS
(Continued)

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in the prior report.

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

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

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

(1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.

(B) A description of the premises, as shown by the records of the county auditor.

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

(2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

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

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

A similar comment appeared in the prior report.

INTERNAL CONTROLS

Internal controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

1. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls which includes the oversight responsibility the Town Board has on expenditures of

TOWN OF WINSLOW
AUDIT RESULTS AND COMMENTS
(Continued)

the Town. Putting complete responsibility of incompatible activities related to financial transactions on the Town Clerk-Treasurer only increases the risk that material misstatements or fraud will not be prevented, detected or corrected on a timely basis. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

2. Penalties and interest charges were paid during the audit period by the Clerk-Treasurer. There were no controls in place to document when taxes or bills were due to ensure late payment fees were not incurred.
3. Material Errors on Schedule of Federal Awards (SEFA): The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 EACH MAJOR FEDERAL
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE

TO: THE OFFICIALS OF THE TOWN OF WINSLOW, PIKE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town's major federal programs 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.

Unmodified Opinion on Each Major Federal Program

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

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be a material weakness.

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

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

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



Bruce Hartman
State Examiner

June 24, 2013

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii					
Winslow Water Project		14.228	B11DC180001DC2-09-174	\$ 299,729	\$ 681,380
<u>Department of Homeland Security</u>					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	OCRA				
Winslow Flood Reimbursement		97.036		4,135	5,535
Total Federal Funds Expended				<u>\$ 303,864</u>	<u>\$ 686,915</u>

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

TOWN OF WINSLOW
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

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

TOWN OF WINSLOW
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported

Type of auditor's report issued on compliance for major program:	Unqualified
--	-------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	yes
--	-----

Identification of Major Program:

_____ Name of Federal Program or Cluster _____

CDBG – State Administered CDBG Cluster

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

Auditee qualified as low-risk auditee?	no
--	----

Section II – Financial Statement Findings

FINDING 2012-1 – MATERIAL ERRORS ON SCHEDULE OF FEDERAL AWARDS (SEFA)

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

During the audit of the SEFA, we noted the following errors: Disbursements for the Winslow Water Project were not reported by separate years and expenditures for disaster grants – public assistance project were not reported at all on SEFA. Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial statements.

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

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

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

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

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

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

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

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-2 - INTERNAL CONTROLS OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grant/State's Program
CFDA Number: 14.228
Federal Award Number: B11DC180001DR2-09-174
Pass-Through Entity: Indiana Office of Community and Rural Affairs

The federal program requires the Town to maintain inventory records of equipment and property purchased with the federal monies associated with the program. The Town of Winslow did not maintain adequate records for equipment, property and infrastructure purchased with federal monies. They have no system to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate records, periodic physical inventories cannot be compared to property records.

The Town's capital assets records are not adequate. The capital asset records kept by the Town have not been updated for additions, deletions, and construction-in-progress since 1999. None of the \$981,109 federally funded CDBG-DR2-09-174 water infrastructure improvement construction costs, which were completed during 2012, were added to the capital assets ledger as of December 31, 2012.

24CFR85.32(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements:

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

OMB Circular A-133, Subpart C, section .300 (b) states:

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

The Town was not in compliance with equipment requirements for this program. The failure to maintain proper equipment records could result in the withholding of future payments, suspension or termination of the current award, and withholding of future awards.

We recommended that officials review and develop procedures to ensure that all equipment acquired with federal awards is properly inventoried in accordance with the equipment maintenance requirements.

TOWN OF WINSLOW
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REGULAR MEETING ON THE SECOND AND FOURTH MONDAY OF EACH MONTH

CORRECTIVE ACTION PLAN

FINDING 2012-1 MATERIAL ERRORS ON SCHEDULE OF FEDERAL AWARDS (SEFA)

Auditee Contact Person: Beth A. Bennett
Title of Contact Person: Clerk-Treasurer
Phone Number: (812) 789-2207

Corrective Action:

The Town of Winslow will review control activities in place for preparation of the Schedule of Federal Awards (SEFA). To avoid possible material misstatements to the SEFA in the future, the town will establish controls ensuring grants and transactions are in agreement with town accounting records. These controls will include tracking Federal receipts and disbursements by using information provided by grantor agencies and by the deputy Clerk-Treasurer reconciling the information to the town ledger on a monthly basis. The Clerk-Treasurer will review the reconcilements and verify accuracy before preparing the SEFA. These control activities will reduce the risk of future material misstatements to the SEFA.

Signature Beth A. Bennett

Date 5/30/13

Clerk-Treasurer, Town of Winslow

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REGULAR MEETING ON THE SECOND AND FOURTH MONDAY OF EACH MONTH

CORRECTIVE ACTION PLAN

FINDING 2012-2 INTERNAL CONTROLS OVER EQUIPMENT AND REAL PROPERTY MANAGEMENT

Auditee Contact Person: Beth A. Bennett
Title of Contact Person: Clerk-Treasurer
Phone Number: (812) 789-2207

Corrective Action: The Town of Winslow will implement a better monitoring system for accounting for our capital assets. We will put into place the following procedures immediately:

1. We will ensure that when capital assets are purchased, those costs will be recorded to the capital asset record in a timely manner at cost.
2. We will also work in unison with our contractor, engineering firm, grant administrator and department supervisors to ensure that the demolition of capital assets will be accounted for and that the replacement asset, if applicable, will be accounted for in the capital asset records.
3. We will maintain capital asset records to reflect any asset acquired with Federal funds so designated so that upon disposal proper procedures will be implemented.
4. We will work in unison with department supervisors to ensure that inventories of property and equipment and construction-in-progress are conducted at least every two years and reconciled to the detailed capital asset ledger.

Signature Beth A. Bennett

Date 5/30/13

Clerk-Treasurer, Town of Winslow

TOWN OF WINSLOW
EXIT CONFERENCE

The contents of this report were discussed on June 24, 2013, with Beth Bennett, Clerk-Treasurer; Donald Bolin, President of the Town Council; and Jeffery Bolin, Deputy Clerk-Treasurer. The officials concurred with our audit findings.