

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF WAYNETOWN  
MONTGOMERY COUNTY, INDIANA

January 1, 2011 to December 31, 2012



**FILED**  
08/22/2013



TABLE OF CONTENTS

| <u>Description</u>  | <u>Page</u> |
|---|-------------|
| Schedule of Officials .....   | 2           |
| Independent Auditor's Report .....  | 3-5         |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of the Financial Statement<br>Performed in Accordance With Government Auditing Standards ..... | 6-7         |
| Financial Statement:  |             |
| Statement of Receipts, Disbursements, and Cash and Investment<br>Balances - Regulatory Basis .....  | 11          |
| Notes to Financial Statement .....  | 12-15       |
| Supplementary Information - Unaudited:  |             |
| Combining Schedules of Receipts, Disbursements, and Cash and<br>Investment Balances - Regulatory Basis .....  | 19-24       |
| Schedule of Payables and Receivables .....  | 25          |
| Schedule of Leases and Debt .....   | 26          |
| Schedule of Capital Assets .....  | 27          |
| Audit Result and Comment:   |             |
| Internal Controls Over Financial Transactions and Reporting .....   | 28          |
| Supplemental Audit of Federal Awards:   |             |
| Independent Auditor's Report on Compliance for Each Major Federal Program and on<br>Internal Control Over Compliance .....  | 30-31       |
| Schedule of Expenditures of Federal Awards .....  | 35          |
| Note to Schedule of Expenditures of Federal Awards .....  | 36          |
| Schedule of Findings and Questioned Costs .....   | 37-39       |
| Auditee Prepared Schedule:  |             |
| Corrective Action Plan .....  | 40-41       |
| Exit Conference .....   | 42          |

SCHEDULE OF OFFICIALS

| <u>Office</u>                      | <u>Official</u>                              | <u>Term</u>  |
|------------------------------------|--|--|
| Clerk-Treasurer                    | Sandra K. Proctor                            | 01-01-08 to 12-31-15   |
| President of the Town Council      | Barry Lewis<br>Robert Cox<br>Leah M. Switzer | 01-01-11 to 09-06-12<br>09-07-12 to 12-31-12<br>01-01-13 to 12-31-13 |
| Superintendent of Utilities        | Paul E. Rusk                                 | 01-01-11 to 12-31-13   |
| Superintendent of Electric Utility | Gary D. Fishero                              | 01-01-11 to 12-31-13   |



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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WAYNETOWN, MONTGOMERY COUNTY, INDIANA

***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Waynetown (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 July 18, 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,

INDEPENDENT AUDITOR'S REPORT  
(Continued)

including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

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

July 18, 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 WAYNETOWN, MONTGOMERY 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 Waynetown (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated July 18, 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.

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

***Compliance and Other Matters***

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

***Town of Waynetown's Response to Findings***

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

***Purpose of This Report***

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



Bruce Hartman  
State Examiner

July 18, 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 WAYNETOWN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Years Ended December 31, 2011 And 2012

| Fund                      | Cash and<br>Investments<br>01-01-11 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-11 | Receipts            | Disbursements       | Cash and<br>Investments<br>12-31-12 |
|---------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| General                   | \$ 222,507                          | \$ 124,179          | \$ 129,046          | \$ 217,640                          | \$ 126,205          | \$ 133,822          | \$ 210,023                          |
| M.V.H.                    | 62,032                              | 33,619              | 21,175              | 74,476                              | 33,358              | 42,273              | 65,561                              |
| L.R.S.                    | 9,830                               | 3,940               | 5,869               | 7,901                               | 4,106               | 11,000              | 1,007                               |
| Law Continuing Education  | 1,147                               | 375                 | -                   | 1,522                               | 670                 | -                   | 2,192                               |
| Park And Recreation       | 136                                 | 3,417               | 3,478               | 75                                  | 50                  | -                   | 125                                 |
| Rainy Day                 | 5,279                               | -                   | -                   | 5,279                               | -                   | 1,183               | 4,096                               |
| Levy Excess               | 174                                 | -                   | 174                 | -                                   | -                   | -                   | -                                   |
| C.C.I.                    | 9,313                               | 2,610               | -                   | 11,923                              | 2,541               | 11,863              | 2,601                               |
| C.C.D.                    | 31,067                              | 3,158               | -                   | 34,225                              | 6,780               | 35,817              | 5,188                               |
| C.B.                      | 15,950                              | -                   | 538                 | 15,412                              | -                   | 136                 | 15,276                              |
| Riverboat                 | 21,918                              | 5,689               | -                   | 27,607                              | 5,675               | 33,000              | 282                                 |
| Federal Grant DR-2 WW     | -                                   | 774,386             | 774,386             | -                                   | 177,811             | 177,810             | 1                                   |
| Pool Donation             | -                                   | 20,046              | -                   | 20,046                              | 12,283              | -                   | 32,329                              |
| Splash Pad Donation       | -                                   | -                   | -                   | -                                   | 13,226              | 4,075               | 9,151                               |
| Federal Grant DR-2 DT     | -                                   | 20,000              | 20,000              | -                                   | -                   | -                   | -                                   |
| Payroll                   | 1,107                               | 232,004             | 231,814             | 1,297                               | 227,057             | 226,944             | 1,410                               |
| Electric Operating        | 138,657                             | 650,371             | 639,781             | 149,247                             | 618,940             | 627,866             | 140,321                             |
| Electric Depreciation     | 200,473                             | 29,017              | -                   | 229,490                             | 28,264              | 23,901              | 233,853                             |
| Electric Customer Deposit | 27,250                              | 3,360               | 3,745               | 26,865                              | 4,028               | 3,794               | 27,099                              |
| Electric Cash Reserve     | 10,700                              | -                   | -                   | 10,700                              | -                   | -                   | 10,700                              |
| Storm Water               | 19,768                              | 10,383              | 2,200               | 27,951                              | 10,460              | 3,704               | 34,707                              |
| Trash & Garbage Pickup    | 20,552                              | 44,991              | 44,132              | 21,411                              | 44,334              | 43,794              | 21,951                              |
| Sewer Operating           | 66,307                              | 178,386             | 199,652             | 45,041                              | 174,600             | 186,801             | 32,840                              |
| Sewer Bond                | -                                   | 70,560              | 70,545              | 15                                  | 69,993              | 70,008              | -                                   |
| Sewer Depreciation        | 10,774                              | 2,148               | -                   | 12,922                              | 2,148               | -                   | 15,070                              |
| Sewer Reserve Bond/SRF    | 135,856                             | -                   | -                   | 135,856                             | -                   | -                   | 135,856                             |
| Water Operating           | 47,939                              | 100,026             | 123,802             | 24,163                              | 100,149             | 98,297              | 26,015                              |
| Water Depreciation        | 3,955                               | 1,080               | -                   | 5,035                               | 1,080               | -                   | 6,115                               |
| Water Customer Deposit    | 14,096                              | 1,650               | 1,875               | 13,871                              | 1,860               | 1,793               | 13,938                              |
| <b>Totals</b>             | <b>\$ 1,076,787</b>                 | <b>\$ 2,315,395</b> | <b>\$ 2,272,212</b> | <b>\$ 1,119,970</b>                 | <b>\$ 1,665,618</b> | <b>\$ 1,737,881</b> | <b>\$ 1,047,707</b>                 |

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

TOWN OF WAYNETOWN  
NOTES TO FINANCIAL STATEMENT

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

*A. Reporting Entity*

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

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

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

TOWN OF WAYNETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

*E. Disbursements*

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

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

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

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

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

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

TOWN OF WAYNETOWN  
NOTES TO FINANCIAL STATEMENT  
(Continued)

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

*F. Interfund Transfers*

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

*G. Fund Accounting*

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

**Note 2. Budgets**

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

**Note 3. Property Taxes**

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

TOWN OF WAYNETOWN  
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. Restatements**

For the year ended December 31, 2011, investment balances were not included. Changes have been made to some of the beginning balances of the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances.

| Fund                      | Balance as of<br>December 31,<br>2010 | Prior<br>Period<br>Adjustment | Balance as of<br>January 1,<br>2011 |
|---------------------------|---------------------------------------|-------------------------------|-------------------------------------|
| Electric Customer Deposit | \$ 15,250                             | \$ 12,000                     | \$ 27,250                           |
| Electric Cash Reserve     | -                                     | 10,700                        | 10,700                              |
| Sewer Operating           | 49,307                                | 17,000                        | 66,307                              |
| Sewer Reserve Bond/SRF    | 113,856                               | 22,000                        | 135,856                             |
| Water Customer Deposit    | 12,096                                | 2,000                         | 14,096                              |

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## SUPPLEMENTARY INFORMATION – UNAUDITED

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

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

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

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

|   | General    | M.V.H.    | L.R.S.   | Law<br>Continuing<br>Education | Park<br>And<br>Recreation | Rainy<br>Day | Levy<br>Excess | C.C.I.    | C.C.D.    | C.B.      |
|---|------------|-----------|----------|--------------------------------|---------------------------|--------------|----------------|-----------|-----------|-----------|
| Cash and investments - beginning                      | \$ 222,507 | \$ 62,032 | \$ 9,830 | \$ 1,147                       | \$ 136                    | \$ 5,279     | \$ 174         | \$ 9,313  | \$ 31,067 | \$ 15,950 |
| Receipts:   |            |           |          |                                |                           |              |                |           |           |           |
| Taxes   | 74,797     | -         | -        | -                              | -                         | -            | -              | -         | 2,595     | -         |
| Licenses and permits                                  | 190        | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Intergovernmental                                     | 47,335     | 33,591    | 3,940    | -                              | -                         | -            | -              | 2,610     | 563       | -         |
| Charges for services                                  | -          | -         | -        | -                              | 3,365                     | -            | -              | -         | -         | -         |
| Fines and forfeits                                    | 749        | -         | -        | 375                            | -                         | -            | -              | -         | -         | -         |
| Utility fees  | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Penalties   | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Other receipts  | 1,108      | 28        | -        | -                              | 52                        | -            | -              | -         | -         | -         |
| Total receipts  | 124,179    | 33,619    | 3,940    | 375                            | 3,417                     | -            | -              | 2,610     | 3,158     | -         |
| Disbursements:  |            |           |          |                                |                           |              |                |           |           |           |
| Personal services                                     | 65,532     | 16,520    | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Supplies  | 2,727      | 3,701     | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Other services and charges                            | 60,402     | 954       | 5,869    | -                              | 113                       | -            | -              | -         | -         | 538       |
| Capital outlay  | 385        | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Utility operating expenses                            | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Other disbursements                                   | -          | -         | -        | -                              | 3,365                     | -            | 174            | -         | -         | -         |
| Total disbursements                                   | 129,046    | 21,175    | 5,869    | -                              | 3,478                     | -            | 174            | -         | -         | 538       |
| Excess (deficiency) of receipts over<br>disbursements | (4,867)    | 12,444    | (1,929)  | 375                            | (61)                      | -            | (174)          | 2,610     | 3,158     | (538)     |
| Cash and investments - ending                         | \$ 217,640 | \$ 74,476 | \$ 7,901 | \$ 1,522                       | \$ 75                     | \$ 5,279     | \$ -           | \$ 11,923 | \$ 34,225 | \$ 15,412 |

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

|   | Riverboat | Federal Grant<br>DR-2<br>WW | Pool<br>Donation | Splash<br>Pad<br>Donation | Federal Grant<br>DR-2<br>DT | Payroll  | Electric<br>Operating | Electric<br>Depreciation | Electric<br>Customer<br>Deposit | Electric<br>Cash<br>Reserve |
|---|-----------|-----------------------------|------------------|---------------------------|-----------------------------|----------|-----------------------|--------------------------|---------------------------------|-----------------------------|
| Cash and investments - beginning                      | \$ 21,918 | \$ -                        | \$ -             | \$ -                      | \$ -                        | \$ 1,107 | \$ 138,657            | \$ 200,473               | \$ 27,250                       | \$ 10,700                   |
| Receipts:   |           |                             |                  |                           |                             |          |                       |                          |                                 |                             |
| Taxes   | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Licenses and permits                                  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Intergovernmental                                     | 5,689     | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Charges for services                                  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Fines and forfeits                                    | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Utility fees  | -         | -                           | -                | -                         | -                           | -        | 628,354               | -                        | 3,360                           | -                           |
| Penalties   | -         | -                           | -                | -                         | -                           | -        | 4,413                 | -                        | -                               | -                           |
| Other receipts  | -         | 774,386                     | 20,046           | -                         | 20,000                      | 232,004  | 17,604                | 29,017                   | -                               | -                           |
| Total receipts  | 5,689     | 774,386                     | 20,046           | -                         | 20,000                      | 232,004  | 650,371               | 29,017                   | 3,360                           | -                           |
| Disbursements:  |           |                             |                  |                           |                             |          |                       |                          |                                 |                             |
| Personal services                                     | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Supplies  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Other services and charges                            | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Capital outlay  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Utility operating expenses                            | -         | -                           | -                | -                         | -                           | -        | 585,488               | -                        | -                               | -                           |
| Other disbursements                                   | -         | 774,386                     | -                | -                         | 20,000                      | 231,814  | 54,293                | -                        | 3,745                           | -                           |
| Total disbursements                                   | -         | 774,386                     | -                | -                         | 20,000                      | 231,814  | 639,781               | -                        | 3,745                           | -                           |
| Excess (deficiency) of receipts over<br>disbursements | 5,689     | -                           | 20,046           | -                         | -                           | 190      | 10,590                | 29,017                   | (385)                           | -                           |
| Cash and investments - ending                         | \$ 27,607 | \$ -                        | \$ 20,046        | \$ -                      | \$ -                        | \$ 1,297 | \$ 149,247            | \$ 229,490               | \$ 26,865                       | \$ 10,700                   |

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

|   | Storm<br>Water | Trash<br>&<br>Garbage<br>Pickup | Sewer<br>Operating | Sewer<br>Bond | Sewer<br>Depreciation | Sewer<br>Reserve<br>Bond/SRF | Water<br>Operating | Water<br>Depreciation | Water<br>Customer<br>Deposit | Totals       |
|---|----------------|---------------------------------|--------------------|---------------|-----------------------|------------------------------|--------------------|-----------------------|------------------------------|--------------|
| Cash and investments - beginning                      | \$ 19,768      | \$ 20,552                       | \$ 66,307          | \$ -          | \$ 10,774             | \$ 135,856                   | \$ 47,939          | \$ 3,955              | \$ 14,096                    | \$ 1,076,787 |
| Receipts:   |                |                                 |                    |               |                       |                              |                    |                       |                              |              |
| Taxes   | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 77,392       |
| Licenses and permits                                  | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 190          |
| Intergovernmental                                     | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 93,728       |
| Charges for services                                  | -              | 44,991                          | -                  | -             | -                     | -                            | -                  | -                     | -                            | 48,356       |
| Fines and forfeits                                    | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 1,124        |
| Utility fees  | 10,383         | -                               | 170,665            | -             | -                     | -                            | 98,838             | -                     | 1,650                        | 913,250      |
| Penalties   | -              | -                               | 4,465              | -             | -                     | -                            | 837                | -                     | -                            | 9,715        |
| Other receipts  | -              | -                               | 3,256              | 70,560        | 2,148                 | -                            | 351                | 1,080                 | -                            | 1,171,640    |
| Total receipts  | 10,383         | 44,991                          | 178,386            | 70,560        | 2,148                 | -                            | 100,026            | 1,080                 | 1,650                        | 2,315,395    |
| Disbursements:  |                |                                 |                    |               |                       |                              |                    |                       |                              |              |
| Personal services                                     | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 82,052       |
| Supplies  | -              | 631                             | -                  | -             | -                     | -                            | -                  | -                     | -                            | 7,059        |
| Other services and charges                            | -              | 43,501                          | -                  | -             | -                     | -                            | -                  | -                     | -                            | 111,377      |
| Capital outlay  | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 385          |
| Utility operating expenses                            | 2,200          | -                               | 126,944            | -             | -                     | -                            | 122,722            | -                     | -                            | 837,354      |
| Other disbursements                                   | -              | -                               | 72,708             | 70,545        | -                     | -                            | 1,080              | -                     | 1,875                        | 1,233,985    |
| Total disbursements                                   | 2,200          | 44,132                          | 199,652            | 70,545        | -                     | -                            | 123,802            | -                     | 1,875                        | 2,272,212    |
| Excess (deficiency) of receipts over<br>disbursements | 8,183          | 859                             | (21,266)           | 15            | 2,148                 | -                            | (23,776)           | 1,080                 | (225)                        | 43,183       |
| Cash and investments - ending                         | \$ 27,951      | \$ 21,411                       | \$ 45,041          | \$ 15         | \$ 12,922             | \$ 135,856                   | \$ 24,163          | \$ 5,035              | \$ 13,871                    | \$ 1,119,970 |

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

|   | General    | M.V.H.    | L.R.S.   | Law<br>Continuing<br>Education | Park<br>And<br>Recreation | Rainy<br>Day | Levy<br>Excess | C.C.I.    | C.C.D.    | C.B.      |
|---|------------|-----------|----------|--------------------------------|---------------------------|--------------|----------------|-----------|-----------|-----------|
| Cash and investments - beginning                      | \$ 217,640 | \$ 74,476 | \$ 7,901 | \$ 1,522                       | \$ 75                     | \$ 5,279     | \$ -           | \$ 11,923 | \$ 34,225 | \$ 15,412 |
| Receipts:   |            |           |          |                                |                           |              |                |           |           |           |
| Taxes   | 76,512     | -         | -        | -                              | -                         | -            | -              | -         | 5,612     | -         |
| Licenses and permits                                  | 195        | -         | -        | 670                            | -                         | -            | -              | -         | -         | -         |
| Intergovernmental                                     | 48,141     | 33,251    | 4,106    | -                              | -                         | -            | -              | 2,541     | 1,168     | -         |
| Charges for services                                  | 3          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Fines and forfeits                                    | 559        | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Utility fees  | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Penalties   | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Other receipts  | 795        | 107       | -        | -                              | 50                        | -            | -              | -         | -         | -         |
| Total receipts  | 126,205    | 33,358    | 4,106    | 670                            | 50                        | -            | -              | 2,541     | 6,780     | -         |
| Disbursements:  |            |           |          |                                |                           |              |                |           |           |           |
| Personal services                                     | 68,506     | 18,757    | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Supplies  | 12,531     | 5,086     | -        | -                              | -                         | -            | -              | -         | -         | 136       |
| Other services and charges                            | 42,366     | 1,223     | 4,630    | -                              | -                         | -            | -              | -         | -         | -         |
| Capital outlay  | 10,419     | 17,207    | 6,370    | -                              | -                         | 1,183        | -              | 11,863    | 35,817    | -         |
| Utility operating expenses                            | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Other disbursements                                   | -          | -         | -        | -                              | -                         | -            | -              | -         | -         | -         |
| Total disbursements                                   | 133,822    | 42,273    | 11,000   | -                              | -                         | 1,183        | -              | 11,863    | 35,817    | 136       |
| Excess (deficiency) of receipts over<br>disbursements | (7,617)    | (8,915)   | (6,894)  | 670                            | 50                        | (1,183)      | -              | (9,322)   | (29,037)  | (136)     |
| Cash and investments - ending                         | \$ 210,023 | \$ 65,561 | \$ 1,007 | \$ 2,192                       | \$ 125                    | \$ 4,096     | \$ -           | \$ 2,601  | \$ 5,188  | \$ 15,276 |

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

|   | Riverboat | Federal Grant<br>DR-2<br>WW | Pool<br>Donation | Splash<br>Pad<br>Donation | Federal Grant<br>DR-2<br>DT | Payroll  | Electric<br>Operating | Electric<br>Depreciation | Electric<br>Customer<br>Deposit | Electric<br>Cash<br>Reserve |
|---|-----------|-----------------------------|------------------|---------------------------|-----------------------------|----------|-----------------------|--------------------------|---------------------------------|-----------------------------|
| Cash and investments - beginning                      | \$ 27,607 | \$ -                        | \$ 20,046        | \$ -                      | \$ -                        | \$ 1,297 | \$ 149,247            | \$ 229,490               | \$ 26,865                       | \$ 10,700                   |
| Receipts:   |           |                             |                  |                           |                             |          |                       |                          |                                 |                             |
| Taxes   | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Licenses and permits                                  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Intergovernmental                                     | 5,675     | 177,614                     | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Charges for services                                  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Fines and forfeits                                    | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Utility fees  | -         | -                           | -                | -                         | -                           | -        | 612,211               | -                        | 4,028                           | -                           |
| Penalties   | -         | -                           | -                | -                         | -                           | -        | 4,331                 | -                        | -                               | -                           |
| Other receipts  | -         | 197                         | 12,283           | 13,226                    | -                           | 227,057  | 2,398                 | 28,264                   | -                               | -                           |
| Total receipts  | 5,675     | 177,811                     | 12,283           | 13,226                    | -                           | 227,057  | 618,940               | 28,264                   | 4,028                           | -                           |
| Disbursements:  |           |                             |                  |                           |                             |          |                       |                          |                                 |                             |
| Personal services                                     | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Supplies  | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Other services and charges                            | -         | -                           | -                | -                         | -                           | -        | -                     | -                        | -                               | -                           |
| Capital outlay  | 33,000    | -                           | -                | 4,075                     | -                           | -        | 12,390                | 18,651                   | -                               | -                           |
| Utility operating expenses                            | -         | -                           | -                | -                         | -                           | -        | 584,942               | -                        | -                               | -                           |
| Other disbursements                                   | -         | 177,810                     | -                | -                         | -                           | 226,944  | 30,534                | 5,250                    | 3,794                           | -                           |
| Total disbursements                                   | 33,000    | 177,810                     | -                | 4,075                     | -                           | 226,944  | 627,866               | 23,901                   | 3,794                           | -                           |
| Excess (deficiency) of receipts over<br>disbursements | (27,325)  | 1                           | 12,283           | 9,151                     | -                           | 113      | (8,926)               | 4,363                    | 234                             | -                           |
| Cash and investments - ending                         | \$ 282    | \$ 1                        | \$ 32,329        | \$ 9,151                  | \$ -                        | \$ 1,410 | \$ 140,321            | \$ 233,853               | \$ 27,099                       | \$ 10,700                   |

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

|  | Storm<br>Water | Trash<br>&<br>Garbage<br>Pickup | Sewer<br>Operating | Sewer<br>Bond | Sewer<br>Depreciation | Sewer<br>Reserve<br>Bond/SRF | Water<br>Operating | Water<br>Depreciation | Water<br>Customer<br>Deposit | Totals       |
|--|----------------|---------------------------------|--------------------|---------------|-----------------------|------------------------------|--------------------|-----------------------|------------------------------|--------------|
| Cash and investments - beginning                   | \$ 27,951      | \$ 21,411                       | \$ 45,041          | \$ 15         | \$ 12,922             | \$ 135,856                   | \$ 24,163          | \$ 5,035              | \$ 13,871                    | \$ 1,119,970 |
| Receipts:  |                |                                 |                    |               |                       |                              |                    |                       |                              |              |
| Taxes  | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 82,124       |
| Licenses and permits                               | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 865          |
| Intergovernmental                                  | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 272,496      |
| Charges for services                               | -              | 44,334                          | -                  | -             | -                     | -                            | -                  | -                     | -                            | 44,337       |
| Fines and forfeits                                 | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 559          |
| Utility fees                                       | 10,460         | -                               | 169,399            | -             | -                     | -                            | 98,577             | -                     | 1,860                        | 896,535      |
| Penalties  | -              | -                               | 4,471              | -             | -                     | -                            | 835                | -                     | -                            | 9,637        |
| Other receipts                                     | -              | -                               | 730                | 69,993        | 2,148                 | -                            | 737                | 1,080                 | -                            | 359,065      |
| Total receipts                                     | 10,460         | 44,334                          | 174,600            | 69,993        | 2,148                 | -                            | 100,149            | 1,080                 | 1,860                        | 1,665,618    |
| Disbursements:                                     |                |                                 |                    |               |                       |                              |                    |                       |                              |              |
| Personal services                                  | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 87,263       |
| Supplies   | -              | 22                              | -                  | -             | -                     | -                            | -                  | -                     | -                            | 17,775       |
| Other services and charges                         | -              | 43,772                          | -                  | -             | -                     | -                            | -                  | -                     | -                            | 91,991       |
| Capital outlay                                     | -              | -                               | -                  | -             | -                     | -                            | -                  | -                     | -                            | 150,975      |
| Utility operating expenses                         | 3,704          | -                               | 114,463            | -             | -                     | -                            | 97,217             | -                     | -                            | 800,326      |
| Other disbursements                                | -              | -                               | 72,338             | 70,008        | -                     | -                            | 1,080              | -                     | 1,793                        | 589,551      |
| Total disbursements                                | 3,704          | 43,794                          | 186,801            | 70,008        | -                     | -                            | 98,297             | -                     | 1,793                        | 1,737,881    |
| Excess (deficiency) of receipts over disbursements | 6,756          | 540                             | (12,201)           | (15)          | 2,148                 | -                            | 1,852              | 1,080                 | 67                           | (72,263)     |
| Cash and investments - ending                      | \$ 34,707      | \$ 21,951                       | \$ 32,840          | \$ -          | \$ 15,070             | \$ 135,856                   | \$ 26,015          | \$ 6,115              | \$ 13,938                    | \$ 1,047,707 |

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

| <u>Government or Enterprise</u> | <u>Accounts<br/>Payable</u> | <u>Accounts<br/>Receivable</u> |
|---------------------------------|-----------------------------|--------------------------------|
| Electric                        | \$ 65,220                   | \$ 3,528                       |
| Storm Water                     | -                           | 39                             |
| Trash                           | 3,356                       | 238                            |
| Wastewater                      | 4,102                       | 1,547                          |
| Water                           | 2,900                       | 510                            |
| Governmental activities         | <u>2,878</u>                | <u>93</u>                      |
| Totals                          | <u>\$ 78,456</u>            | <u>\$ 5,955</u>                |

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

| Description of Debt          |                         | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------|-------------------------|--------------------------------|---|
| Type                         | Purpose                 |                                |   |
| Wastewater:<br>Revenue bonds | Build On To Sewer Plant | \$ 498,000                     | \$ 70,442   |
| Totals                       |                         | <u>\$ 498,000</u>              | <u>\$ 70,442</u>                                    |

TOWN OF WAYNETOWN  
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<br>Balance |
|------------------------------------|-------------------|
| Governmental activities:           |                   |
| Land                               | \$ 13,808         |
| Buildings                          | 184,065           |
| Improvements other than buildings  | 194,879           |
| Machinery, equipment, and vehicles | 355,392           |
| Total governmental activities      | 748,144           |
| Electric:                          |                   |
| Land                               | 13,704            |
| Buildings                          | 166,576           |
| Improvements other than buildings  | 178,063           |
| Machinery, equipment, and vehicles | 364,337           |
| Total Electric                     | 722,680           |
| Wastewater:                        |                   |
| Land                               | 4,800             |
| Buildings                          | 85,548            |
| Improvements other than buildings  | 2,277,491         |
| Machinery, equipment, and vehicles | 471,840           |
| Total Wastewater                   | 2,839,679         |
| Water:                             |                   |
| Land                               | 502               |
| Buildings                          | 12,091            |
| Improvements other than buildings  | 359,885           |
| Machinery, equipment, and vehicles | 37,597            |
| Total Water                        | 410,075           |
| Total capital assets               | \$ 4,720,578      |

TOWN OF WAYNETOWN  
AUDIT RESULT AND COMMENT

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

1. **Lack of Segregation of Duties:** Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.
2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility 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.
4. **Schedule of Expenditures of Federal Awards:** The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF WAYNETOWN, MONTGOMERY COUNTY, INDIANA

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

We have audited the Town of Waynetown'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 each of 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 each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

***Opinion on Each Major Federal Program***

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

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

***Report on Internal Control Over Compliance***

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with 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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 to be a material weaknesses.

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

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



Bruce Hartman  
State Examiner

July 18, 2013

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

| Federal Grantor Agency<br>Cluster Title/Program Title/Project Title                     | Pass-Through Entity or Direct Grant                  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity (or Other)<br>Identifying<br>Number | Total<br>Federal Awards<br>Expended<br>12-31-11 | Total<br>Federal Awards<br>Expended<br>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 | Indiana Office of Community and Rural Affairs (OCRA) |                           |  |   |   |
| Downtown Revitalization Planning Study  |  | 14.228                    | DR2-09-059   | \$ 20,000                                       | \$ -  |
| Sewer/Wastewater Grant  |  | 14.228                    | DR2-09-173   | <u>774,386</u>                                  | <u>177,614</u>                                  |
| Total - CDBG - State-Administered CDBG Cluster  |  |                           |  | <u>794,386</u>                                  | <u>177,614</u>                                  |
| Total federal awards expended   |  |                           |  | <u>\$ 794,386</u>                               | <u>\$ 177,614</u>                               |

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

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

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

TOWN OF WAYNETOWN  
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;<br>Unmodified as to Regulatory Basis |
| Internal control over financial reporting:           |  |
| Material weaknesses identified?                      | yes  |
| Significant deficiencies identified?                 | none reported  |
| Noncompliance material to financial statement noted? | no   |

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:   | Unmodified    |
| 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 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

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

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

2. Preparing Financial Statements: Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. Monitoring of Controls: Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility 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.
4. Schedule of Expenditures of Federal Awards: The Town did not have a proper system of internal control in place to prevent or detect and correct errors on the Schedule of Expenditures of Federal Awards (SEFA). The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

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

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

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

**FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII**

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

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): DR2-09-059, DR2-09-173

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

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement and all of the compliance requirements that have a direct and material effect to the program. This includes the following compliance requirements: Allowable Activities; Allowable Costs; Cash Management; Davis Bacon; Equipment and Real Property Management;

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

Period of Availability; Procurement, Suspension and Debarment; Reporting; and Special Tests and Provisions. The failure to establish an effective internal control system places the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also allow noncompliance with compliance requirements and allow the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the grant.

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

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

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

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

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

# TOWN OF WAYNETOWN

## CORRECTIVE ACTION PLAN

### FINDING 2012 - 1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person: Sandra K. Proctor  
Contact Title: Waynetown Clerk-Treasurer  
Phone Number: 765-234-2154 Ext 12

Waynetown has implemented the following internal controls in financial transactions and reporting.

1. Lack of Segregation of Duties:
  - a. Receipts (Utility Billings & Collections) - Activities have been segregated between the Clerk-Treasurer and the Deputy Clerk-Treasurer for Internal Controls.
  - b. Disbursements - All packing slips must be dated and signed before given to the Clerk-Treasurer. The Town Council is now reviewing disbursements in more detail before voting and signing off on claims.
  - c. Payroll - Employees now sign their time cards and their Supervisor also signs off on their time card. The Town Council is now given reports to review and now they sign off that they feel Employees were paid the correct amount and from the correct funds.
2. Preparing Financial Statements:
  - a. The Town Council Members are given a Monthly Fund Report and Appropriation Report. The Council Members review the reports and ask questions. The figures on the above reports are combined for preparing the Financial Statements.
3. Monitoring of Controls:
  - a. The Town Council Members are given a Monthly Fund Report and Appropriation Report as a tool to monitor internal controls over financial reporting.
4. Schedule of Expenditures of Federal Awards:
  - a. The Clerk-Treasurer keeps a running total for each Grant by the Amount of Funds Received, Amount Disbursed and the Balance to Expend. This is balanced to the Fund Report before the Schedule of Expenditures of Federal Awards is completed.

SIGN: \_\_\_\_\_

*Sandra K. Proctor*

TITLE: \_\_\_\_\_

*Clerk-Treasurer*

DATE: \_\_\_\_\_

*7-18-13*

**106 NORTH VINE \* PO BOX 215  
WAYNETOWN, INDIANA 47990  
PHONE 765-234-2154 \* FAX 765-234-1601**

# TOWN OF WAYNETOWN

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## CORRECTIVE ACTION PLAN

FINDING 2012-2 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Contact Person: Sandra K. Proctor  
Contact Title: Waynetown Clerk-Treasurer  
Phone Number: 765-234-2154 Ext 12

Waynetown has implemented the following internal controls in compliance requirements for Community Development Block Grant (CDBG) Funds.

1. The Clerk-Treasurer and Town Council will be more involved in reviewing Claims by making sure the information submitted is correct and only eligible expenses are being approved for payment.
2. The Clerk-Treasurer and Town Council will be more involved in monitoring the Grant Administrator to make sure we are in compliance with CDBG rules and regulations as well as provisions in grant agreements and contracts.

SIGN: Sandra K. Proctor

TITLE: Clerk-Treasurer

DATE: 7-18-13

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**106 NORTH VINE \* PO BOX 215  
WAYNETOWN, INDIANA 47990  
PHONE 765-234-2154 \* FAX 765-234-1601**

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TOWN OF WAYNETOWN  
EXIT CONFERENCE

The contents of this report were discussed on July 18, 2013, with Sandra K. Proctor, Clerk-Treasurer, and Leah M. Switzer, President of the Town Council. The officials concurred with our audit findings.