

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WOLCOTT
WHITE COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/23/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda S. Bajzatt	01-01-08 to 12-31-15
President of the Town Council	Marsha L. Mackey	01-08-08 to 12-31-13



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

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

INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WOLCOTT, WHITE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Wolcott (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. The basis of accounting noted above is a different basis than that used in the prior period.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated August 28, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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



Bruce Hartman
State Examiner

August 28, 2013



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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF WOLCOTT, WHITE 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 Wolcott (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated August 28, 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 items 2012-1 and 2012-2 to be material weaknesses.

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

Compliance and Other Matters

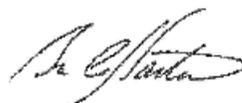
As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Wolcott's Response to Findings

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

Purpose of This Report

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



Bruce Hartman
State Examiner

August 28, 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 WOLCOTT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Years Ended December 31, 2011 And 2012

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
General	\$ 178,205	\$ 379,724	\$ 360,405	\$ 197,524	\$ 367,632	\$ 391,291	\$ 173,865
Motor Vehicle Highway	165,614	60,529	91,212	134,931	81,614	96,077	120,468
Local Road and Street	10,392	3,852	-	14,244	4,002	-	18,246
Ambulance	73,050	66,311	38,057	101,304	65,464	52,986	113,782
Local Law Enforcement Continuing Education	8,513	2,007	7,183	3,337	288	416	3,209
Park and Recreation	11,974	8,509	11,666	8,817	14,634	11,188	12,263
Rainy Day	42,490	-	-	42,490	70,000	90	112,400
Levy Excess Fund	794	-	794	-	3,684	-	3,684
Cumulative Capital Improvement	2,558	2,840	2,473	2,925	1,634	2,639	1,920
Cumulative Capital Development	15,612	14,836	-	30,448	11,798	-	42,246
County Economic Development Income Tax	75,668	22,535	8,911	89,292	27,983	22,185	95,090
Riverboat Gaming	24,668	27,064	12,614	39,118	5,930	-	45,048
White County Community Foundation	-	1,000	1,000	-	-	-	-
Dog and Cat Licenses	630	114	43	701	127	-	828
Disaster Stormwater Proj.	-	654,619	654,619	-	294,676	294,676	-
Payroll	-	177,956	177,956	-	194,327	194,327	-
Payroll Federal Withholding	-	24,325	24,325	-	24,779	24,779	-
Payroll FICA/Med W/H	-	32,118	32,118	-	34,431	34,431	-
Payroll State/Co W/H	1,153	11,288	12,441	-	12,083	12,083	-
Payroll PERF W/H	3,434	12,174	12,825	2,783	12,331	15,114	-
Payroll PERF Corp Share	4,739	19,667	20,006	4,400	22,283	26,683	-
Payroll HSA	-	4,960	4,960	-	5,460	5,460	-
Payroll Garnishment	-	1,350	1,350	-	5,150	5,150	-
Payroll Medical	1,092	8,135	8,186	1,041	9,525	9,888	678
Payroll Liberty Natn'L	-	1,501	1,552	(51)	1,497	1,381	65
Wastewater Operating	28,162	220,624	233,740	15,046	244,084	210,227	48,903
Wastewater Depreciation	44,448	10,448	5,911	48,985	7,397	-	56,382
Wastewater Bond & Interest	47,440	52,166	90,288	9,318	52,065	19,066	42,317
Wastewater Depr/Bow	-	-	-	-	5,874	3,282	2,592
Wastewater Construction	11,792	-	-	11,792	-	11,763	29
Water Utility Operating	17,347	222,650	207,076	32,921	226,772	198,393	61,300
Water Utility Meter Deposit	12,542	2,700	2,686	12,556	3,300	1,741	14,115
Water Utility Depreciation	50,856	16,126	21,409	45,573	16,516	2,363	59,726
Water Utility Bond & Interest	61,927	38,703	25,628	75,002	39,639	24,893	89,748
Stormwater	11,012	10,794	5,135	16,671	10,292	2,789	24,174
Totals	<u>\$ 906,112</u>	<u>\$ 2,111,625</u>	<u>\$ 2,076,569</u>	<u>\$ 941,168</u>	<u>\$ 1,877,271</u>	<u>\$ 1,675,361</u>	<u>\$ 1,143,078</u>

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

TOWN OF WOLCOTT
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, storm water, trash, 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 WOLCOTT
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.

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.

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.

TOWN OF WOLCOTT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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.

TOWN OF WOLCOTT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 5. Risk Management

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

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

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

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

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

	General	Motor Vehicle Highway	Local Road and Street	Ambulance	Local Law Enforcement Continuing Education	Park and Recreation	Rainy Day
Cash and investments - beginning	\$ 178,205	\$ 165,614	\$ 10,392	\$ 73,050	\$ 8,513	\$ 11,974	\$ 42,490
Receipts:							
Taxes	229,818	27,353	-	-	-	5,994	-
Licenses and permits	3,637	-	-	-	370	-	-
Intergovernmental	95,795	28,968	3,852	26,800	-	2,160	-
Charges for services	44,243	-	-	35,666	173	-	-
Fines and forfeits	130	-	-	-	1,464	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	6,101	4,208	-	3,845	-	355	-
Total receipts	<u>379,724</u>	<u>60,529</u>	<u>3,852</u>	<u>66,311</u>	<u>2,007</u>	<u>8,509</u>	<u>-</u>
Disbursements:							
Personal services	187,056	16,530	-	15,328	-	-	-
Supplies	9,655	6,541	-	5,697	-	824	-
Other services and charges	149,460	11,139	-	12,098	7,183	7,027	-
Capital outlay	14,234	57,002	-	4,934	-	3,815	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>360,405</u>	<u>91,212</u>	<u>-</u>	<u>38,057</u>	<u>7,183</u>	<u>11,666</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>19,319</u>	<u>(30,683)</u>	<u>3,852</u>	<u>28,254</u>	<u>(5,176)</u>	<u>(3,157)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 197,524</u>	<u>\$ 134,931</u>	<u>\$ 14,244</u>	<u>\$ 101,304</u>	<u>\$ 3,337</u>	<u>\$ 8,817</u>	<u>\$ 42,490</u>

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

	Levy Excess Fund	Cumulative Capital Improvement	Cumulative Capital Development	County Economic Development Income Tax	Riverboat Gaming	White County Community Foundation
Cash and investments - beginning	\$ 794	\$ 2,558	\$ 15,612	\$ 75,668	\$ 24,668	\$ -
Receipts:						
Taxes	-	-	13,362	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	2,840	1,474	22,535	6,189	1,000
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	-	20,875	-
Total receipts	<u>-</u>	<u>2,840</u>	<u>14,836</u>	<u>22,535</u>	<u>27,064</u>	<u>1,000</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	2,473	-	8,911	12,614	1,000
Utility operating expenses	-	-	-	-	-	-
Other disbursements	794	-	-	-	-	-
Total disbursements	<u>794</u>	<u>2,473</u>	<u>-</u>	<u>8,911</u>	<u>12,614</u>	<u>1,000</u>
Excess (deficiency) of receipts over disbursements	<u>(794)</u>	<u>367</u>	<u>14,836</u>	<u>13,624</u>	<u>14,450</u>	<u>-</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,925</u>	<u>\$ 30,448</u>	<u>\$ 89,292</u>	<u>\$ 39,118</u>	<u>\$ -</u>

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

	Dog and Cat Licenses	Disaster Stormwater Proj.	Disaster Storm Federal Grant	Payroll	Payroll Federal Withholding	Payroll FICA/Med W/H
Cash and investments - beginning	\$ 630	\$ -	\$ -	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	114	-	-	-	-	-
Intergovernmental	-	654,619	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	177,956	24,325	32,118
Total receipts	<u>114</u>	<u>654,619</u>	<u>-</u>	<u>177,956</u>	<u>24,325</u>	<u>32,118</u>
Disbursements:						
Personal services	-	-	-	177,956	-	-
Supplies	43	-	-	-	-	-
Other services and charges	-	198,496	-	-	-	-
Capital outlay	-	456,123	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	24,325	32,118
Total disbursements	<u>43</u>	<u>654,619</u>	<u>-</u>	<u>177,956</u>	<u>24,325</u>	<u>32,118</u>
Excess (deficiency) of receipts over disbursements	<u>71</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 701</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Payroll State/Co W/H	Payroll PERF W/H	Payroll PERF Corp Share	Payroll HSA	Payroll Garnishment	Payroll Medical
Cash and investments - beginning	\$ 1,153	\$ 3,434	\$ 4,739	\$ -	\$ -	\$ 1,092
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	11,288	12,174	19,667	4,960	1,350	8,135
Total receipts	<u>11,288</u>	<u>12,174</u>	<u>19,667</u>	<u>4,960</u>	<u>1,350</u>	<u>8,135</u>
Disbursements:						
Personal services	-	-	20,006	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	12,441	12,825	-	4,960	1,350	8,186
Total disbursements	<u>12,441</u>	<u>12,825</u>	<u>20,006</u>	<u>4,960</u>	<u>1,350</u>	<u>8,186</u>
Excess (deficiency) of receipts over disbursements	<u>(1,153)</u>	<u>(651)</u>	<u>(339)</u>	<u>-</u>	<u>-</u>	<u>(51)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 2,783</u>	<u>\$ 4,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041</u>

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

	Payroll Liberty Natn'L	Wastewater Operating	Wastewater Depreciation	Wastewater Bond & Interest	Wastewater Depr/Bow	Wastewater Construction
Cash and investments - beginning	\$ -	\$ 28,162	\$ 44,448	\$ 47,440	\$ -	\$ 11,792
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	211,667	-	-	-	-
Other receipts	1,501	8,957	10,448	52,166	-	-
Total receipts	<u>1,501</u>	<u>220,624</u>	<u>10,448</u>	<u>52,166</u>	<u>-</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	13,026	-	-	-	-
Utility operating expenses	-	158,100	-	-	-	-
Other disbursements	1,552	62,614	5,911	90,288	-	-
Total disbursements	<u>1,552</u>	<u>233,740</u>	<u>5,911</u>	<u>90,288</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(51)</u>	<u>(13,116)</u>	<u>4,537</u>	<u>(38,122)</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ (51)</u>	<u>\$ 15,046</u>	<u>\$ 48,985</u>	<u>\$ 9,318</u>	<u>\$ -</u>	<u>\$ 11,792</u>

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

	Water Utility Operating	Water Utility Meter Deposit	Water Utility Depreciation	Water Utility Bond & Interest	Stormwater	Totals
Cash and investments - beginning	\$ 17,347	\$ 12,542	\$ 50,856	\$ 61,927	\$ 11,012	\$ 906,112
Receipts:						
Taxes	11,803	-	-	-	-	288,330
Licenses and permits	-	-	-	-	-	4,121
Intergovernmental	-	-	-	-	-	846,232
Charges for services	-	-	-	-	-	80,082
Fines and forfeits	-	-	-	-	-	1,594
Utility fees	48,200	2,700	-	-	10,794	273,361
Other receipts	162,647	-	16,126	38,703	-	617,905
Total receipts	<u>222,650</u>	<u>2,700</u>	<u>16,126</u>	<u>38,703</u>	<u>10,794</u>	<u>2,111,625</u>
Disbursements:						
Personal services	-	-	-	-	-	416,876
Supplies	-	-	-	-	-	22,760
Other services and charges	-	-	-	-	-	385,403
Capital outlay	4,737	-	-	-	4,535	583,404
Utility operating expenses	147,510	-	-	-	-	305,610
Other disbursements	54,829	2,686	21,409	25,628	600	362,516
Total disbursements	<u>207,076</u>	<u>2,686</u>	<u>21,409</u>	<u>25,628</u>	<u>5,135</u>	<u>2,076,569</u>
Excess (deficiency) of receipts over disbursements	<u>15,574</u>	<u>14</u>	<u>(5,283)</u>	<u>13,075</u>	<u>5,659</u>	<u>35,056</u>
Cash and investments - ending	<u>\$ 32,921</u>	<u>\$ 12,556</u>	<u>\$ 45,573</u>	<u>\$ 75,002</u>	<u>\$ 16,671</u>	<u>\$ 941,168</u>

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

	General	Motor Vehicle Highway	Local Road and Street	Ambulance	Local Law Enforcement Continuing Education	Park and Recreation	Rainy Day	Levy Excess Fund
Cash and investments - beginning	\$ 197,524	\$ 134,931	\$ 14,244	\$ 101,304	\$ 3,337	\$ 8,817	\$ 42,490	\$ -
Receipts:								
Taxes	200,453	50,274	-	-	-	11,271	-	1,227
Licenses and permits	3,829	-	-	-	260	-	-	-
Intergovernmental	112,068	31,055	4,002	-	-	2,884	-	-
Charges for services	45,575	-	-	64,285	28	-	-	-
Fines and forfeits	540	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	5,167	285	-	1,179	-	479	70,000	2,457
Total receipts	<u>367,632</u>	<u>81,614</u>	<u>4,002</u>	<u>65,464</u>	<u>288</u>	<u>14,634</u>	<u>70,000</u>	<u>3,684</u>
Disbursements:								
Personal services	152,622	16,150	-	20,475	-	-	-	-
Supplies	9,042	7,507	-	4,330	-	1,141	-	-
Other services and charges	183,770	5,451	-	12,384	416	7,369	-	-
Capital outlay	8,400	46,969	-	15,797	-	2,678	90	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	37,457	20,000	-	-	-	-	-	-
Total disbursements	<u>391,291</u>	<u>96,077</u>	<u>-</u>	<u>52,986</u>	<u>416</u>	<u>11,188</u>	<u>90</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(23,659)</u>	<u>(14,463)</u>	<u>4,002</u>	<u>12,478</u>	<u>(128)</u>	<u>3,446</u>	<u>69,910</u>	<u>3,684</u>
Cash and investments - ending	<u>\$ 173,865</u>	<u>\$ 120,468</u>	<u>\$ 18,246</u>	<u>\$ 113,782</u>	<u>\$ 3,209</u>	<u>\$ 12,263</u>	<u>\$ 112,400</u>	<u>\$ 3,684</u>

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

	Cumulative Capital Improvement	Cumulative Capital Development	County Economic Development Income Tax	Riverboat Gaming	White County Community Foundation	Dog and Cat Licenses	Disaster Stormwater Proj.
Cash and investments - beginning	\$ 2,925	\$ 30,448	\$ 89,292	\$ 39,118	\$ -	\$ 701	\$ -
Receipts:							
Taxes	-	10,652	-	-	-	-	-
Licenses and permits	-	-	-	-	-	127	-
Intergovernmental	1,634	1,146	27,983	5,930	-	-	294,676
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	<u>1,634</u>	<u>11,798</u>	<u>27,983</u>	<u>5,930</u>	<u>-</u>	<u>127</u>	<u>294,676</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	54,189
Capital outlay	2,639	-	7,185	-	-	-	240,487
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	15,000	-	-	-	-
Total disbursements	<u>2,639</u>	<u>-</u>	<u>22,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>294,676</u>
Excess (deficiency) of receipts over disbursements	<u>(1,005)</u>	<u>11,798</u>	<u>5,798</u>	<u>5,930</u>	<u>-</u>	<u>127</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,920</u>	<u>\$ 42,246</u>	<u>\$ 95,090</u>	<u>\$ 45,048</u>	<u>\$ -</u>	<u>\$ 828</u>	<u>\$ -</u>

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

	Payroll	Payroll Federal Withholding	Payroll FICA/Med W/H	Payroll State/Co W/H	Payroll PERF W/H	Payroll PERF Corp Share	Payroll HSA
Cash and investments - beginning	\$ -	\$ -	\$ -	\$ -	\$ 2,783	\$ 4,400	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	194,327	24,779	34,431	12,083	12,331	22,283	5,460
Total receipts	<u>194,327</u>	<u>24,779</u>	<u>34,431</u>	<u>12,083</u>	<u>12,331</u>	<u>22,283</u>	<u>5,460</u>
Disbursements:							
Personal services	194,327	-	-	-	-	26,683	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	24,779	34,431	12,083	15,114	-	5,460
Total disbursements	<u>194,327</u>	<u>24,779</u>	<u>34,431</u>	<u>12,083</u>	<u>15,114</u>	<u>26,683</u>	<u>5,460</u>
Excess (deficiency) of receipts over disbursements	-	-	-	-	(2,783)	(4,400)	-
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	Payroll Garnishment	Payroll Medical	Payroll Liberty Natn'L	Wastewater Operating	Wastewater Depreciation	Wastewater Bond & Interest	Wastewater Depr/Bow
Cash and investments - beginning	\$ -	\$ 1,041	\$ (51)	\$ 15,046	\$ 48,985	\$ 9,318	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	241,361	-	-	-
Other receipts	5,150	9,525	1,497	2,723	7,397	52,065	5,874
Total receipts	<u>5,150</u>	<u>9,525</u>	<u>1,497</u>	<u>244,084</u>	<u>7,397</u>	<u>52,065</u>	<u>5,874</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	138,337	-	-	-
Other disbursements	5,150	9,888	1,381	71,890	-	19,066	3,282
Total disbursements	<u>5,150</u>	<u>9,888</u>	<u>1,381</u>	<u>210,227</u>	<u>-</u>	<u>19,066</u>	<u>3,282</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(363)</u>	<u>116</u>	<u>33,857</u>	<u>7,397</u>	<u>32,999</u>	<u>2,592</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ 678</u>	<u>\$ 65</u>	<u>\$ 48,903</u>	<u>\$ 56,382</u>	<u>\$ 42,317</u>	<u>\$ 2,592</u>

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

	Wastewater Construction	Water Utility Operating	Water Utility Meter Deposit	Water Utility Depreciation	Water Utility Bond & Interest	Stormwater	Totals
Cash and investments - beginning	\$ 11,792	\$ 32,921	\$ 12,556	\$ 45,573	\$ 75,002	\$ 16,671	\$ 941,168
Receipts:							
Taxes	-	10,868	-	-	-	-	284,745
Licenses and permits	-	-	-	-	-	-	4,216
Intergovernmental	-	-	-	-	-	-	481,378
Charges for services	-	-	-	-	-	-	109,888
Fines and forfeits	-	-	-	-	-	-	540
Utility fees	-	47,570	3,300	-	-	10,292	302,523
Other receipts	-	168,334	-	16,516	39,639	-	693,981
Total receipts	-	226,772	3,300	16,516	39,639	10,292	1,877,271
Disbursements:							
Personal services	-	-	-	-	-	-	410,257
Supplies	-	-	-	-	-	-	22,020
Other services and charges	-	-	-	-	-	-	263,579
Capital outlay	-	-	-	-	-	2,500	326,745
Utility operating expenses	-	142,238	-	-	-	-	280,575
Other disbursements	11,763	56,155	1,741	2,363	24,893	289	372,185
Total disbursements	11,763	198,393	1,741	2,363	24,893	2,789	1,675,361
Excess (deficiency) of receipts over disbursements	(11,763)	28,379	1,559	14,153	14,746	7,503	201,910
Cash and investments - ending	\$ 29	\$ 61,300	\$ 14,115	\$ 59,726	\$ 89,748	\$ 24,174	\$ 1,143,078

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ -	\$ -
Stormwater	-	-
Wastewater	-	2,198
Water	-	-
	-	-
Totals	\$ -	\$ 2,198

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Wastewater: Revenue bonds	Sewage Works Revenue Bonds of 2007 - Slip line 20 000' sanitary sewers; 73 manholes; rehabilitate lift station; plant improvements	\$ 594,000	\$ 52,077
Water: Revenue bonds	Waterworks Revenue Bonds 2001 - demolition of 50 000 gal water tower; installation of 4 000 ft of 10	180,000	24,128
Totals		<u>\$ 774,000</u>	<u>\$ 76,205</u>

TOWN OF WOLCOTT
 SCHEDULE OF CAPITAL ASSETS
 December 31, 2012

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

	Ending Balance
Governmental activities:	
Land	\$ 29,000
Infrastructure	608,931
Buildings	235,692
Improvements other than buildings	82,140
Machinery, equipment, and vehicles	965,046
Total governmental activities	1,920,809
Wastewater:	
Land	24,000
Infrastructure	1,650,042
Buildings	1,299,480
Improvements other than buildings	1,236,969
Machinery, equipment, and vehicles	150,610
Total Wastewater	4,361,101
Water:	
Land	22,159
Infrastructure	2,508,118
Buildings	193,604
Improvements other than buildings	19,548
Machinery, equipment, and vehicles	192,509
Total Water	2,935,938
Stormwater:	
Infrastructure	969,415
Total capital assets	\$ 10,187,263

TOWN OF WOLCOTT
AUDIT RESULTS AND COMMENTS

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS,
MONITORING OF CONTROLS, AND REPORTING***

We noted several deficiencies in the internal control system related to financial transactions, monitoring, 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 Clerk-Treasurer's office has not adequately separated all incompatible activities related to receipts, utility billings and collections, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. **Monitoring of Controls:** Effective internal control over financial reporting requires the Clerk-Treasurer, or other Management, to monitor and assess the quality of the system of internal control in effect at the Clerk-Treasurer's office. We could not verify that the Clerk-Treasurer has performed either an ongoing nor separate evaluation of their system of internal controls. Failure to exercise her oversight responsibility places the Clerk-Treasurer's office 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 Clerk-Treasurer's office has no process to identify or communicate corrective actions to improve controls.
3. **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 statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.

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

TOWN OF WOLCOTT
AUDIT RESULTS AND COMMENTS
(Continued)

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

***LACK OF CONTROLS OVER THE PREPARATION OF THE
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)

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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 WOLCOTT, WHITE COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

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

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 considered the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2012-3 to be 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

August 28, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster					
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Disaster Stormwater Project	Indiana Office of Community & Rural Affairs	14.228	B10DC180001DR2-09-12	\$ 654,619	\$ 294,676
Total - CDBG - State-Administered CDBG Cluster				<u>654,619</u>	<u>294,676</u>
Total - Department of Housing and Urban Development				<u>654,619</u>	<u>294,676</u>
<u>Department of Energy</u>					
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	Indiana Office of Lieutenant Governor	81.128	DE-EE-00725	<u>20,875</u>	<u>-</u>
Total - Department of Energy				<u>20,875</u>	<u>-</u>
Total federal awards expended				<u>\$ 675,494</u>	<u>\$ 294,676</u>

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

TOWN OF WOLCOTT
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 Wolcott 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 WOLCOTT
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; 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?	None reported

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, 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 WOLCOTT
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 statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and as a result has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements, including notes to the financial statement.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Council to monitor and assess the quality of the Town's system of internal control. The Town Council 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.

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

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

FINDING 2012-2 – INTERNAL CONTROLS OVER THE 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)

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-3 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO THE STATE ADMINISTERED CDBG PROGRAM

Federal Agency: Housing and Urban Development

Federal Program: Community Development Block Grant/State's
Program and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Federal Award Number and Year (or Other Identifying Number): B10DC180001DR2-09-12

Pass-Through Entity: 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: activities allowed or unallowed; allowable costs/cost principles; cash management; Davis-Bacon act; equipment and real property management, matching, level of effort, earmarking; period of availability; procurement and 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 Wolcott

P.O. Box 38 * 101 West North Street
Wolcott, Indiana 47995
(219) 279-2216 * Fax (219) 747-0046
woltown@ffni.com

Marsha L. Mackey, Council President
Jon H. Evans, Council Vice President
Richard A. Lynn, Council Member

Fred Young, Council Member
Michael A. Yelton, Council Member
Linda S. Bajzatt, Clerk-Treasurer

August 28, 2013

Town of Wolcott Response to Schedule of Findings

Finding 2012-1 Lack of Internal Controls over the Financial and Transactions and Reporting

The Town of Wolcott Clerk-Treasurer's Office is staffed by the Clerk-Treasurer and her Deputy Clerk, in which both are fulltime, and a part-time employee (very limited work time). This office strives to provide its citizens and taxpayers with a conscientious effort and transparent accounting practices to the best of its ability by its limited staff.

1. Lack of segregation of duties – Certain accounting functions are designed to cross-reference each other for accuracy and transparency. The Clerk-Treasurer understands that if one person is responsible for certain or multiple accounting functions, the check and balance of the system is removed. Complying with the segregation of duties objectives with such a small staff is nearly impossible; therefore the Clerk-Treasurer or management will strive to meet those objectives through mitigating controls to help reduce the risks associated with a failure to adequately segregate incompatible functions. A determination through assessment of duties and responsibilities will be made as to which duties could be easily performed by the same individual and reviewed by another.
2. Preparing of Financial Statements – The Clerk-Treasurer will review the procedure and attempt to verify and sign all reports which could affect the financial statement after review of such reports.
3. Monitoring of Controls – Routine practices will be reviewed, altered and/or deleted to strive to meet internal control standards. The Clerk-Treasurer, along with her employees and independent sources, will perform assessments of and identify who performs more than three or more separate duties within a process, and will perform a final assessment in an aid to alter and improve internal control practices in the office.

Finding 2012-2 Internal Controls over the Schedule of Expenditures of Federal Awards

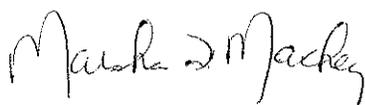
The Town of Wolcott is aware of the schedule of expenditures regarding federal awards and will ensure the proper reporting of all federal awards.

Finding 2012 – Internal Controls over Compliance Requirements That Have Direct and Material Effect to the State Administered CDBG Program

Federal Agency: US Dept. of Housing and Urban Development
Federal Program: Community Development Block Grant Disaster Recovery Program;
EDS # A192-10-DR2-09-121
CFDA Number: 14.228
Federal Award Year: 2010
Pass Through Entity: Office of Community and Rural Affairs

The Town of Wolcott has reviewed the financial statement related to the audit for the years 2011 and 2012, and we offer the following corrective actions.

Lack of internal controls in relation to the grant: The Town of Wolcott will review our compliance requirements in relation to federal compliance requirements. We will review and attempt to assign duties such that there will be a reasonable assurance given in managing the federal funds in compliance with laws, regulations and the provisions of the contract and grant agreements. However, the Town of Wolcott is limited in the employee base which could be authorized to manage such controls. It would be necessary to hire an additional employee to oversee such projects of grand scale. The Town of Wolcott has hired in the past and currently hires a grant administrator to perform and oversee this grant; the Town monitors reports from the grant administrator and makes comparisons with her records and the administrator's reports, excluding Davis-Bacon, to assure accuracy. The Town had indicated discrepancies and/or possible errors concerning the grant administrator's financial reports. Further review by administration will take place before applying for grants to ensure proper manpower and supervision will be adequate to meet compliance.


Marsha L. Mackey
Council President
Town of Wolcott


Linda S. Bajzatt, IAMC, CMC
Clerk-Treasurer
Town of Wolcott

TOWN OF WOLCOTT
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2013, with Linda S. Bajzatt, Clerk-Treasurer, and Marsha L. Mackey, President of the Town Council. The officials indicated that they would be responding to the report, but an Official Response was not received.