

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WESTPORT
DECATUR COUNTY, INDIANA

January 1, 2011 to December 31, 2012



FILED
09/19/2014

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report	3-5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance With Government Auditing Standards	6-7
Financial Statement:	
Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	11
Notes to Financial Statement	12-16
Supplementary Information - Unaudited:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis	18-29
Schedule of Payables and Receivables	30
Schedule of Leases and Debt	31
Audit Results and Comments:	
Hydrant Rental Receivable/Payable	32
Internal Controls Over Bulk Water Sales	32
Overdrawn Cash Balances	32-33
Fund Sources and Uses	33-34
Bank Account Reconciliations	34
Overtime Pay	34-35
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance	38-40
Schedule of Expenditures of Federal Awards	43
Note to Schedule of Expenditures of Federal Awards	44
Schedule of Findings and Questioned Costs	45-51
Auditee Prepared Schedule:	
Corrective Action Plan	52-53
Exit Conference	54

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sylvia England	01-01-11 to 12-31-15
President of the Town Council	Bryan Gatewood	01-01-11 to 12-31-14
Superintendent of Utilities	Mark Taylor	01-01-11 to 12-31-14



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WESTPORT, DECATUR COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 3, 2014, 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, and Schedule of Leases and Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.


Paul D. Joyce, CPA
State Examiner

June 3, 2014



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 WESTPORT, DECATUR 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 Westport (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated June 3, 2014, 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 2012-001, 2012-002, and 2012-003 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2012-002 and 2012-003.

Town of Westport's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

June 3, 2014

(This page intentionally left blank.)

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.

(This page intentionally left blank.)

TOWN OF WESTPORT
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 Fund	\$ 46,816	\$ 284,640	\$ 238,562	\$ 92,894	\$ 289,845	\$ 260,172	\$ 122,567
Motor Vehicle Highway	58,565	57,075	64,901	50,739	54,941	69,270	36,410
Local Road And Street	5,431	6,559	3,400	8,590	6,611	-	15,201
Economic Dev Income Tax	29,598	-	-	29,598	-	-	29,598
Law Enforcement Con Ed	8,270	250	-	8,520	1,308	-	9,828
Riverboat Revenue Sharing	17,495	9,481	3,922	23,054	-	-	23,054
Rainy Day Fund	34,997	-	30,000	4,997	-	1,000	3,997
Levy Excess	590	-	-	590	-	-	590
Cum Cap Development	46,490	7,609	23,021	31,078	6,585	22,750	14,913
Cum Cap Imp	2,372	4,351	-	6,723	-	6,000	723
Payroll Dental W/H	-	230	230	-	-	-	-
Payroll Vision W/H	-	85	85	-	-	-	-
Cemetery Operating	159,275	5,640	41,733	123,182	6,330	22,893	106,619
Police Grant Account	3,874	2,945	406	6,413	3,200	13,181	(3,568)
Cemetery Maintenance Fund	33,697	1,525	-	35,222	1,950	-	37,172
Cemetery Tree Fund	345	-	-	345	-	-	345
Payroll Net Salaries	73	239,253	239,253	73	253,651	251,588	2,136
Payroll Federal W/H	4,093	30,222	30,703	3,612	35,034	40,942	(2,296)
Payroll State W/H	1,294	10,403	10,430	1,267	11,225	12,860	(368)
Payroll County W/H	503	4,016	3,961	558	4,387	2,834	2,111
Payroll Health Ins	-	171,336	181,824	(10,488)	181,751	160,758	10,505
Payroll Medicare W/H	597	9,309	9,406	500	4,973	11,113	(5,640)
Payroll Garnishment	-	6,546	6,288	258	1,807	1,807	258
Payroll-Wage Contribution	-	4,819	4,819	-	-	-	-
Payroll Fica W/H	2,553	25,824	34,560	(6,183)	18,197	44,453	(32,439)
Payroll Perf W/H	3,339	35,550	35,676	3,213	31,187	40,979	(6,579)
Town Hall Rent Deposits	50	-	-	50	-	-	50
Wastewater Rd Const.	-	110,000	107,353	2,647	4,323,556	4,325,785	418
Wastewater Improvement	-	2,167	-	2,167	23,837	-	26,004
Wastewater Operating	41,153	252,680	245,605	48,228	403,528	332,757	118,999
Wastewater Util-Bond Old Bonds	2,960	-	2,412	548	-	-	548
Wastewater Bond & Interest Debt	43,548	31,877	34,240	41,185	95,839	61,238	75,786
Sewer Reserve Fund	79,900	9,295	25,000	64,195	11,045	-	75,240
Water Operating	32,907	341,713	378,076	(3,456)	366,611	316,159	46,996
Water Utility Customer Deposit	11,410	5,400	4,640	12,170	5,400	4,260	13,310
Water Maintenance	74,834	-	-	74,834	-	-	74,834
Water Debt Service & Int	49,504	67,655	65,253	51,906	16,778	64,471	4,213
Water Reserve	39,776	-	-	39,776	-	25,000	14,776
Totals	\$ 836,309	\$ 1,738,455	\$ 1,825,759	\$ 749,005	\$ 6,159,576	\$ 6,092,270	\$ 816,311

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

TOWN OF WESTPORT
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the Indiana State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting involves the reporting of only cash and investments and the changes therein resulting from cash inflows (receipts) and cash outflows (disbursements) reported in the period in which they occurred.

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

C. Cash and Investments

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

D. Receipts

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

Taxes 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.

TOWN OF WESTPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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, 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.

TOWN OF WESTPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

TOWN OF WESTPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

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

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

Note 5. *Risk Management*

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

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

Note 6. *Pension Plan*

Public Employees' Retirement Fund

Plan Description

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

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

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

TOWN OF WESTPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Funding Policy and Annual Pension Cost

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

Note 7. Cash Balance Deficits

The financial statement contains some funds with cash balance deficits. This is a result of disbursements made prior to reimbursements being made from other Town funds. The reimbursements for expenditures made by the Town were not received by December 31, 2012.

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.

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Economic Dev Income Tax	Law Enforcement Con Ed	Riverboat Revenue Sharing	Rainy Day Fund
Cash and investments - beginning	\$ 46,816	\$ 58,565	\$ 5,431	\$ 29,598	\$ 8,270	\$ 17,495	\$ 34,997
Receipts:							
Taxes	175,817	154	-	-	-	-	-
Licenses and permits	-	-	-	-	250	-	-
Intergovernmental	98,742	56,921	6,559	-	-	9,481	-
Charges for services	10	-	-	-	-	-	-
Fines and forfeits	2,956	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,115	-	-	-	-	-	-
Total receipts	<u>284,640</u>	<u>57,075</u>	<u>6,559</u>	<u>-</u>	<u>250</u>	<u>9,481</u>	<u>-</u>
Disbursements:							
Personal services	155,946	50,030	-	-	-	-	-
Supplies	25,755	14,871	-	-	-	-	-
Other services and charges	56,861	-	3,400	-	-	3,922	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	30,000
Total disbursements	<u>238,562</u>	<u>64,901</u>	<u>3,400</u>	<u>-</u>	<u>-</u>	<u>3,922</u>	<u>30,000</u>
Excess (deficiency) of receipts over disbursements	<u>46,078</u>	<u>(7,826)</u>	<u>3,159</u>	<u>-</u>	<u>250</u>	<u>5,559</u>	<u>(30,000)</u>
Cash and investments - ending	<u>\$ 92,894</u>	<u>\$ 50,739</u>	<u>\$ 8,590</u>	<u>\$ 29,598</u>	<u>\$ 8,520</u>	<u>\$ 23,054</u>	<u>\$ 4,997</u>

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

	Levy Excess	Cum Cap Development	Cum Cap Imp	Payroll Dental W/H	Payroll Vision W/H	Cemetery Operating	Police Grant Account
Cash and investments - beginning	\$ 590	\$ 46,490	\$ 2,372	\$ -	\$ -	\$ 159,275	\$ 3,874
Receipts:							
Taxes	-	6,677	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	932	4,351	-	-	-	-
Charges for services	-	-	-	-	-	5,640	-
Fines and forfeits	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	-	230	85	-	2,945
Total receipts	-	7,609	4,351	230	85	5,640	2,945
Disbursements:							
Personal services	-	-	-	230	85	7,597	-
Supplies	-	23,021	-	-	-	3,981	334
Other services and charges	-	-	-	-	-	1,583	72
Capital outlay	-	-	-	-	-	28,572	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	23,021	-	230	85	41,733	406
Excess (deficiency) of receipts over disbursements	-	(15,412)	4,351	-	-	(36,093)	2,539
Cash and investments - ending	\$ 590	\$ 31,078	\$ 6,723	\$ -	\$ -	\$ 123,182	\$ 6,413

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

	Cemetery Maintenance Fund	Cemetery Tree Fund	Payroll Net Salaries	Payroll Federal W/H	Payroll State W/H	Payroll County W/H	Payroll Health Ins
Cash and investments - beginning	\$ 33,697	\$ 345	\$ 73	\$ 4,093	\$ 1,294	\$ 503	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	1,525	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	-	239,253	30,222	10,403	4,016	171,336
Total receipts	<u>1,525</u>	<u>-</u>	<u>239,253</u>	<u>30,222</u>	<u>10,403</u>	<u>4,016</u>	<u>171,336</u>
Disbursements:							
Personal services	-	-	239,253	30,703	10,430	3,961	181,824
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>-</u>	<u>-</u>	<u>239,253</u>	<u>30,703</u>	<u>10,430</u>	<u>3,961</u>	<u>181,824</u>
Excess (deficiency) of receipts over disbursements	<u>1,525</u>	<u>-</u>	<u>-</u>	<u>(481)</u>	<u>(27)</u>	<u>55</u>	<u>(10,488)</u>
Cash and investments - ending	<u>\$ 35,222</u>	<u>\$ 345</u>	<u>\$ 73</u>	<u>\$ 3,612</u>	<u>\$ 1,267</u>	<u>\$ 558</u>	<u>\$ (10,488)</u>

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

	Payroll Medicare W/H	Payroll Garnishment	Payroll-Wage Contribution	Payroll Fica W/H	Payroll Perf W/H	Town Hall Rent Deposits
Cash and investments - beginning	\$ 597	\$ -	\$ -	\$ 2,553	\$ 3,339	\$ 50
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	9,309	6,546	4,819	25,824	35,550	-
Total receipts	<u>9,309</u>	<u>6,546</u>	<u>4,819</u>	<u>25,824</u>	<u>35,550</u>	<u>-</u>
Disbursements:						
Personal services	9,406	6,288	4,819	34,560	35,676	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	<u>9,406</u>	<u>6,288</u>	<u>4,819</u>	<u>34,560</u>	<u>35,676</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(97)</u>	<u>258</u>	<u>-</u>	<u>(8,736)</u>	<u>(126)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 500</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ (6,183)</u>	<u>\$ 3,213</u>	<u>\$ 50</u>

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

	Wastewater Rd Const.	Wastewater Improvement	Wastewater Operating	Wastewater Util-Bond Old Bonds	Wastewater Bond & Interest Debt	Sewer Reserve Fund
Cash and investments - beginning	\$ -	\$ -	\$ 41,153	\$ 2,960	\$ 43,548	\$ 79,900
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Penalties	-	-	5,048	-	-	-
Other receipts	110,000	2,167	247,632	-	31,877	9,295
Total receipts	<u>110,000</u>	<u>2,167</u>	<u>252,680</u>	<u>-</u>	<u>31,877</u>	<u>9,295</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	107,353	-	195,686	-	-	-
Other disbursements	-	-	49,919	2,412	34,240	25,000
Total disbursements	<u>107,353</u>	<u>-</u>	<u>245,605</u>	<u>2,412</u>	<u>34,240</u>	<u>25,000</u>
Excess (deficiency) of receipts over disbursements	<u>2,647</u>	<u>2,167</u>	<u>7,075</u>	<u>(2,412)</u>	<u>(2,363)</u>	<u>(15,705)</u>
Cash and investments - ending	<u>\$ 2,647</u>	<u>\$ 2,167</u>	<u>\$ 48,228</u>	<u>\$ 548</u>	<u>\$ 41,185</u>	<u>\$ 64,195</u>

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

	Water Operating	Water Utility Customer Deposit	Water Maintenance	Water Debt Service & Int	Water Reserve	Totals
Cash and investments - beginning	\$ 32,907	\$ 11,410	\$ 74,834	\$ 49,504	\$ 39,776	\$ 836,309
Receipts:						
Taxes	-	-	-	-	-	182,648
Licenses and permits	-	-	-	-	-	250
Intergovernmental	-	-	-	-	-	176,986
Charges for services	-	-	-	-	-	7,175
Fines and forfeits	-	-	-	-	-	2,956
Penalties	-	-	-	-	-	5,048
Other receipts	341,713	5,400	-	67,655	-	1,363,392
Total receipts	<u>341,713</u>	<u>5,400</u>	<u>-</u>	<u>67,655</u>	<u>-</u>	<u>1,738,455</u>
Disbursements:						
Personal services	-	-	-	-	-	770,808
Supplies	-	-	-	-	-	67,962
Other services and charges	-	-	-	-	-	65,838
Capital outlay	-	-	-	-	-	28,572
Utility operating expenses	286,365	-	-	-	-	589,404
Other disbursements	91,711	4,640	-	65,253	-	303,175
Total disbursements	<u>378,076</u>	<u>4,640</u>	<u>-</u>	<u>65,253</u>	<u>-</u>	<u>1,825,759</u>
Excess (deficiency) of receipts over disbursements	<u>(36,363)</u>	<u>760</u>	<u>-</u>	<u>2,402</u>	<u>-</u>	<u>(87,304)</u>
Cash and investments - ending	<u>\$ (3,456)</u>	<u>\$ 12,170</u>	<u>\$ 74,834</u>	<u>\$ 51,906</u>	<u>\$ 39,776</u>	<u>\$ 749,005</u>

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Economic Dev Income Tax	Law Enforcement Con Ed	Riverboat Revenue Sharing	Rainy Day Fund
Cash and investments - beginning	\$ 92,894	\$ 50,739	\$ 8,590	\$ 29,598	\$ 8,520	\$ 23,054	\$ 4,997
Receipts:							
Taxes	160,275	-	-	-	-	-	-
Licenses and permits	-	-	-	-	1,308	-	-
Intergovernmental	114,799	52,480	6,611	-	-	-	-
Charges for services	-	2,461	-	-	-	-	-
Fines and forfeits	1,751	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	13,020	-	-	-	-	-	-
Total receipts	<u>289,845</u>	<u>54,941</u>	<u>6,611</u>	<u>-</u>	<u>1,308</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	148,913	41,565	-	-	-	-	-
Supplies	29,647	166	-	-	-	-	-
Other services and charges	52,112	27,539	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	29,500	-	-	-	-	-	1,000
Total disbursements	<u>260,172</u>	<u>69,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
Excess (deficiency) of receipts over disbursements	<u>29,673</u>	<u>(14,329)</u>	<u>6,611</u>	<u>-</u>	<u>1,308</u>	<u>-</u>	<u>(1,000)</u>
Cash and investments - ending	<u>\$ 122,567</u>	<u>\$ 36,410</u>	<u>\$ 15,201</u>	<u>\$ 29,598</u>	<u>\$ 9,828</u>	<u>\$ 23,054</u>	<u>\$ 3,997</u>

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

	Levy Excess	Cum Cap Development	Cum Cap Imp	Payroll Dental W/H	Payroll Vision W/H	Cemetery Operating	Police Grant Account
Cash and investments - beginning	\$ 590	\$ 31,078	\$ 6,723	\$ -	\$ -	\$ 123,182	\$ 6,413
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	6,585	-	-	-	-	-
Charges for services	-	-	-	-	-	6,330	-
Fines and forfeits	-	-	-	-	-	-	3,200
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total receipts	-	6,585	-	-	-	6,330	3,200
Disbursements:							
Personal services	-	-	-	-	-	7,694	-
Supplies	-	-	-	-	-	7,904	3,182
Other services and charges	-	119	-	-	-	1,295	9,999
Capital outlay	-	22,631	6,000	-	-	6,000	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	-	22,750	6,000	-	-	22,893	13,181
Excess (deficiency) of receipts over disbursements	-	(16,165)	(6,000)	-	-	(16,563)	(9,981)
Cash and investments - ending	\$ 590	\$ 14,913	\$ 723	\$ -	\$ -	\$ 106,619	\$ (3,568)

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

	Cemetery Maintenance Fund	Cemetery Tree Fund	Payroll Net Salaries	Payroll Federal W/H	Payroll State W/H	Payroll County W/H	Payroll Health Ins
Cash and investments - beginning	\$ 35,222	\$ 345	\$ 73	\$ 3,612	\$ 1,267	\$ 558	\$ (10,488)
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-
Charges for services	1,950	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	253,651	35,034	11,225	4,387	181,751
Total receipts	<u>1,950</u>	<u>-</u>	<u>253,651</u>	<u>35,034</u>	<u>11,225</u>	<u>4,387</u>	<u>181,751</u>
Disbursements:							
Personal services	-	-	251,588	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	160,758
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	40,942	12,860	2,834	-
Total disbursements	<u>-</u>	<u>-</u>	<u>251,588</u>	<u>40,942</u>	<u>12,860</u>	<u>2,834</u>	<u>160,758</u>
Excess (deficiency) of receipts over disbursements	<u>1,950</u>	<u>-</u>	<u>2,063</u>	<u>(5,908)</u>	<u>(1,635)</u>	<u>1,553</u>	<u>20,993</u>
Cash and investments - ending	<u>\$ 37,172</u>	<u>\$ 345</u>	<u>\$ 2,136</u>	<u>\$ (2,296)</u>	<u>\$ (368)</u>	<u>\$ 2,111</u>	<u>\$ 10,505</u>

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

	Payroll Medicare W/H	Payroll Garnishment	Payroll-Wage Contribution	Payroll Fica W/H	Payroll Perf W/H	Town Hall Rent Deposits
Cash and investments - beginning	\$ 500	\$ 258	\$ -	\$ (6,183)	\$ 3,213	\$ 50
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	4,973	1,807	-	18,197	31,187	-
Total receipts	<u>4,973</u>	<u>1,807</u>	<u>-</u>	<u>18,197</u>	<u>31,187</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	11,113	1,807	-	44,453	40,979	-
Total disbursements	<u>11,113</u>	<u>1,807</u>	<u>-</u>	<u>44,453</u>	<u>40,979</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(6,140)</u>	<u>-</u>	<u>-</u>	<u>(26,256)</u>	<u>(9,792)</u>	<u>-</u>
Cash and investments - ending	<u>\$ (5,640)</u>	<u>\$ 258</u>	<u>\$ -</u>	<u>\$ (32,439)</u>	<u>\$ (6,579)</u>	<u>\$ 50</u>

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

	Wastewater Rd Const.	Wastewater Improvement	Wastewater Operating	Wastewater Util-Bond Old Bonds	Wastewater Bond & Interest Debt	Sewer Reserve Fund
Cash and investments - beginning	\$ 2,647	\$ 2,167	\$ 48,228	\$ 548	\$ 41,185	\$ 64,195
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	4,323,556	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	394,505	-	-	-
Other receipts	-	23,837	9,023	-	95,839	11,045
Total receipts	<u>4,323,556</u>	<u>23,837</u>	<u>403,528</u>	<u>-</u>	<u>95,839</u>	<u>11,045</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	193,229	-	-	-
Other disbursements	4,325,785	-	139,528	-	61,238	-
Total disbursements	<u>4,325,785</u>	<u>-</u>	<u>332,757</u>	<u>-</u>	<u>61,238</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(2,229)</u>	<u>23,837</u>	<u>70,771</u>	<u>-</u>	<u>34,601</u>	<u>11,045</u>
Cash and investments - ending	<u>\$ 418</u>	<u>\$ 26,004</u>	<u>\$ 118,999</u>	<u>\$ 548</u>	<u>\$ 75,786</u>	<u>\$ 75,240</u>

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

	Water Operating	Water Utility Customer Deposit	Water Maintenance	Water Debt Service & Int	Water Reserve	Totals
Cash and investments - beginning	\$ (3,456)	\$ 12,170	\$ 74,834	\$ 51,906	\$ 39,776	\$ 749,005
Receipts:						
Taxes	6,558	-	-	-	-	166,833
Licenses and permits	-	-	-	-	-	1,308
Intergovernmental	-	-	-	-	-	4,504,031
Charges for services	-	-	-	-	-	10,741
Fines and forfeits	-	-	-	-	-	4,951
Utility fees	357,617	-	-	-	-	752,122
Other receipts	2,436	5,400	-	16,778	-	719,590
Total receipts	<u>366,611</u>	<u>5,400</u>	<u>-</u>	<u>16,778</u>	<u>-</u>	<u>6,159,576</u>
Disbursements:						
Personal services	-	-	-	-	-	449,760
Supplies	-	-	-	-	-	40,899
Other services and charges	-	-	-	-	-	251,822
Capital outlay	9,308	-	-	-	-	43,939
Utility operating expenses	230,681	-	-	-	-	423,910
Other disbursements	76,170	4,260	-	64,471	25,000	4,881,940
Total disbursements	<u>316,159</u>	<u>4,260</u>	<u>-</u>	<u>64,471</u>	<u>25,000</u>	<u>6,092,270</u>
Excess (deficiency) of receipts over disbursements	<u>50,452</u>	<u>1,140</u>	<u>-</u>	<u>(47,693)</u>	<u>(25,000)</u>	<u>67,306</u>
Cash and investments - ending	<u>\$ 46,996</u>	<u>\$ 13,310</u>	<u>\$ 74,834</u>	<u>\$ 4,213</u>	<u>\$ 14,776</u>	<u>\$ 816,311</u>

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Water Utility	\$ 30,393	\$ 15,351
Governmental activities	4,015	8,106
Wastewater Utility	1,028	30,535
Totals	\$ 35,436	\$ 53,992

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

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Business-type activities:			
Wastewater Utility:			
Revenue Bonds	Sewage Works Refunding Revenue Bonds of 1994	\$ 185,000	\$ 36,740
Total business-type activities debt		<u>\$ 185,000</u>	<u>\$ 36,740</u>

Note: The Town is currently drawing down on two USDA - Rural Development Loans not-to-exceed \$2,446,000, Ordinance No. 2011-2, for the Wastewater System Improvement. As of December 31, 2012, the Town has drawn down \$1,644,000 and has paid back \$5,000 on the principal.

TOWN OF WESTPORT
AUDIT RESULTS AND COMMENTS

HYDRANT RENTAL RECEIVABLE/PAYABLE (Applies to Clerk-Treasurer and Town Council)

The Town of Westport owes the Water Utility hydrant rental in the amount of \$169,367. The amount has accumulated over the years because the Town made partial or no payments starting with year 2007 to 2012 to the Water Utility. Rate Ordinances 2002-3 and 2007-3 passed by the Town Council on May 13, 2002, and December 10, 2007, respectively, requires an annual rate to be paid for each public hydrant.

A similar comment was reported in prior Report B37689.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS OVER BULK WATER SALES (Applies to Clerk-Treasurer)

The Town sells bulk water to customers in quantities of 100 gallons for a \$1 token. Tokens are purchased at the Water Utility office for \$1 in cash. A machine is used to dispense the water once the token is inserted. Unused tokens may be returned to the Water Utility office whereby the customer is refunded \$1 in cash for each token returned. The following deficiencies were noted:

1. All token refunds were made from the current day's cash collections. A negative receipt was issued so cash and receipts to balance for the current day rather than making the refund from a petty cash fund.
2. There was no inventory or accountability for the tokens sold or on hand.

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

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES (Applies to Clerk-Treasurer)

The financial statement presented in this report included the following funds and accounts with overdrawn cash balances at end of the year:

TOWN OF WESTPORT
AUDIT RESULTS AND COMMENTS
(Continued)

	<u>December 31, 2011</u>	<u>December 31, 2012</u>	<u>Notes</u>
Water Operating	\$ 3,456	\$ -	(1)
Police Grant Account	-	3,568	(2)
Payroll Federal W/H	-	2,296	(3)
Payroll State W/H	-	368	(3)
Payroll Health Ins	10,488	-	(3)
Payroll Medicare W/H	-	5,640	(4)
Payroll Fica W/H	6,183	32,439	(4)
Payroll Perf W/H	-	6,579	(5)

Notes to Schedule:

- (1) The deficit cash balance was caused by disbursements exceeding receipts during the year.
- (2) This fund was set up to account for a reimbursable grant. Grant expenditures were paid prior to reimbursements being received.
- (3) Posting errors caused inaccurate withholding fund balances.
- (4) The employers matching share of Social Security and Medicare was not transferred to the withholding funds from which they were paid. This resulted in approximately \$24,500 paid from the fund that was due from other Town funds.
- (5) The proper amount of the employer share of retirement contribution was not properly calculated resulting in approximately \$10,000 of employer contributions not being properly transferred from other Town funds.

A similar comment was reported in prior Report B37689.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

FUND SOURCES AND USES (Applies to Clerk-Treasurer)

Economic development income tax distributions were incorrectly recorded in the General fund instead of the Economic Development Income Tax fund. Distributions received for the years 2011 and 2012 totaled \$15,834 and \$19,747, respectively.

A similar comment was reported in prior Report B37689.

TOWN OF WESTPORT
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 6-3.5-7-13.1(a) states in part:

"The fiscal officer of each . . . town for a county in which the county economic development tax is imposed shall establish an economic development income tax fund. . . . the revenue received by a . . . town under this chapter shall be deposited in the unit's economic development income tax fund.

Indiana Code 6-3.5-7-12.7 states in part:

"(a) Subject to subsection (b) . . . the executive of a . . . town may at any time transfer to:

- (1) its general fund; or
- (2) any other fund of the . . . town that the executive serves;

money that has been deposited in the economic development income tax fund established by the . . . town under section 13.1 of this chapter. The executive shall adjust the unit's capital improvement plan adopted under section 15 of this chapter to reflect the transfer. After appropriation of the money by the fiscal body of the . . . town in a budget or supplemental budget (as required by law), the money transferred under this section may be used for the purposes of the fund to which the money is transferred.

(b) A unit may not transfer money under subsection (a) if the amount transferred would impair the unit's ability to satisfy any debts, liabilities, or obligations for which county economic development income taxes are pledged or otherwise encumbered, including transfers required by IC 36-7.5-4-2."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

A review of records to date showed that reconciliations of the fund balances to the bank account balances were not being performed monthly after January 2013. As of February 26, 2014, the bank account reconciliations had been performed only through May 2013.

Indiana Code 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

OVERTIME PAY (Applies to Clerk-Treasurer and Town Council)

Utility employees were paid one and one-half times their hourly rate for work on Saturday and double their hourly rate for time worked on Sundays and holidays. The salary ordinance presented for audit did not establish overtime rates of pay.

TOWN OF WESTPORT
AUDIT RESULTS AND COMMENTS
(Continued)

Each governmental unit should adopt a written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

(This page intentionally left blank.)

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF WESTPORT, DECATUR COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

We have audited the Town of Westport'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 programs for the period of January 1, 2011 to December 31, 2012. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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 each of its major federal programs for the period of January 1, 2011 to December 31, 2012.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on 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 and significant deficiencies.


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 2012-006 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2012-004 and 2012-005 to be significant deficiencies.

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

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.


Paul D. Joyce, CPA
State Examiner

June 3, 2014

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.

(This page intentionally left blank.)

TOWN OF WESTPORT
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 Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760			
Wastewater System Improvement			15-16-0351069182	\$ 110,000	\$ 1,534,000
Total for federal grantor agency				<u>110,000</u>	<u>1,534,000</u>
<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	14.228			
Wastewater System Improvement			DR-09-178	-	2,789,556
Total for federal grantor agency				<u>-</u>	<u>2,789,556</u>
Total federal awards expended				<u>\$ 110,000</u>	<u>\$ 4,323,556</u>

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

TOWN OF WESTPORT
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 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 WESTPORT
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?	yes

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	yes
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major programs:	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 Programs:

_____ Name of Federal Program or Cluster _____
Water and Waste Program 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 2012-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

We noted a deficiency in the internal control system of the Town related to financial transactions and reporting. We believe the following deficiency constitutes a material weakness:

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 WESTPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Clerk-Treasurer stated that the lack of segregation of duties is due to the Clerk-Treasurer's office having a small number of staff members.

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 2012-002 - INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENT

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement. The Town should have proper controls in place over the preparation of the financial statement to ensure accurate reporting of cash and investment and financial activity. Without a proper system of internal control in place that operates effectively, material misstatements of the financial statement could remain undetected.

During the audit of the financial statement, we noted the following errors made for the year 2011: Various beginning fund balances did not agree with the Town's financial records and various receipts were incorrectly reported. The Town's financial statement was compiled from information entered by the Town into the Annual Financial Report.

Audit adjustments were proposed, accepted by the Town, and made to the financial statement presented in this report.

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)

Indiana Code 5-11-1-4(a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be in the form and content prescribed by the state examiner and filed electronically in the manner prescribed under IC 5-14-3.8-7."

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

FINDING 2012-003 - INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Town did not have a proper system of internal controls 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 controls in place that operates effectively, material misstatements of the SEFA could remain undetected.

The following errors were noted on the SEFA:

1. The Town did not report the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii, CFDA #14.228, with expenditures in the amount of \$2,789,556 on the SEFA.
2. The Town reported expenditures in the amount of \$4,326 on the SEFA for the Water and Waste Disposal Systems for Rural Communities, CFDA #10.760; however, actual expenditures totaled \$1,644,000.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA presented in this report. These adjustments resulted in a presentation of the SEFA that is materially correct in relation to the financial 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.

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

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

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

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

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

Section III - Federal Award Findings and Questioned Costs

FINDING 2012-004 - 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): DR-09-178
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 compliance requirements; Activities Allowed or Unallowed and Allowable Costs/Cost Principals, as it relates to Non-Construction Grant Program expenditures. Procedures were not in place that program costs for Non-Construction expenditures were reviewed to determine compliance with the program requirements prior to the cost being incurred and charged to the program. 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, or 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.

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

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. Noncompliance 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2012-005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Number and Year (or Other Identifying Number): 15-16-0351069182

Pass-Through Entity: N/A

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant agreement compliance requirements; Activities Allowed or Unallowed, Allowable Costs/Cost Principals, and Cash Management, as it relates to Non-Construction Grant Program expenditures. Procedures were not in place that program costs for Non-Construction expenditures were reviewed to determine compliance with the program requirements prior to the cost being incurred and charged to the program. 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, or 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."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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 the compliance requirements noted above that have a direct and material effect to the program.

FINDING 2012-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES AND REPORTING

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Number and Year (or Other Identifying Number): 15-16-0351069182

Pass-Through Entity: N/A

Management of the Town has not established an effective internal control system, which would include segregation of duties, related to the grant compliance requirement of Reporting. Failure to establish controls over Reporting resulted in the grant program report not being filed timely. The annual management report, Form RD 442-2, for the fiscal year 2013 was not filed until May 17, 2013, resulting in the report being filed 167 days late.

An internal control system, including segregation of duties, should be designed and operated 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, or 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."

7 CFR 1780.47(f) states in part:

"(2) *Annual management reports.* Prior to the beginning of each fiscal year the following will be submitted to the processing office. (If Form RD 442-2 is used as the annual management report . . .)"

USDA Rural Utilities Service Borrower's Guide, page 8, states in part:

"All borrowers should submit an annual management report 30 days prior to the beginning of each new fiscal year . . ."

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

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance 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 the Town establish controls related to Reporting in order to ensure proper and timely reporting in accordance with the grant agreement.

**TOWN OF WESTPORT
P.O. BOX 579
Westport, Indiana 47283
(812) 591-3500 – PHONE
(812) 591-3953 - FAX**

CORRECTIVE ACTION PLAN

FINDING 2012-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Contact Person Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

Due to the fact the Town of Westport has a small staff in the Clerk-Treasurer's office; it is impractical to segregate the duties in an ideal manner.

Anticipated Completion Date: Indefinite

FINDING 2012-002 – INTERNAL CONTROLS OVER THE PREPARATION OF THE FINANCIAL STATEMENT

Contact Person Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

We plan to have proper internal controls in place in order to prepare the Financial Statement to ensure accurate reporting.

Anticipated Completion Date: March 1, 2014

FINDING 2012-003 – INTERNAL CONTROLS OVER THE PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Contact Person Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

We plan to have proper internal controls in place in order to prepare the Schedule of Expenditures of Federal Awards to ensure accurate reporting of the federal awards.

Anticipated Completion Date: March 1, 2014

FINDING 2012-004 - 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 Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

We plan to have proper internal controls in place to ensure non-construction expenditures are reviewed prior to the cost being incurred and charged to the program.

Anticipated Completion Date: Completion date cannot be determine at this time.

FINDING 2012-005 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES

Contact Person Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

We plan to have proper internal controls in place to ensure non-construction expenditures are reviewed prior to the cost being incurred and charged to the program.

Anticipated Completion Date: Completion date cannot be determine at this time.

FINDING 2012-006 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES AND REPORTING

Contact Person Responsible for Corrective Action: Sylvia England
Contact Phone Number: (812) 591-3500

Description of Corrective Action Plan:

We plan to have proper internal controls in place to ensure reports are filed in a timely manner.

Anticipated Completion Date: December 1, 2014

Sylvia England
(Signature)

Clark, Treasurer
(Title)

June 3, 2014
(Date)

TOWN OF WESTPORT
EXIT CONFERENCE

The contents of this report were discussed on June 3, 2014, with Boyd Holcomb, Town Council member; Sylvia England, Clerk-Treasurer; Mark Taylor, Superintendent of Utilities; and Ronda Bartlett, Part-time Clerk.