

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF NEWPORT  
VERMILLION COUNTY, INDIANA

January 1, 2012 to December 31, 2013



**FILED**  
11/21/2014



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Alice Bemis	01-01-11 to 12-31-14
President of the Town Council	James Sutliff	01-01-12 to 12-31-14



## INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEWPORT, VERMILLION COUNTY, INDIANA

### ***Report on the Financial Statement***

We have audited the accompanying financial statement of the Town of Newport (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, 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, 2012 to December 31, 2013.

***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, 2012 to December 31, 2013, 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 October 2, 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

October 2, 2014



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

TO: THE OFFICIALS OF THE TOWN OF NEWPORT, VERMILLION 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 Newport (Town), which comprises the financial position and results of operations for the period of January 1, 2012 to December 31, 2013, and the related notes to the financial statement, and have issued our report thereon dated October 2, 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 2013-001 and 2013-002 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 2013-001 and 2013-002.

***Town of Newport'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

October 2, 2014

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## FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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 NEWPORT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For the Years Ended December 31, 2012 and 2013

Fund	Cash and Investments 01-01-12	Receipts	Disbursements	Cash and Investments 12-31-12	Receipts	Disbursements	Cash and Investments 12-31-13
General	\$ 37,635	\$ 54,647	\$ 41,196	\$ 51,086	\$ 52,075	\$ 59,037	\$ 44,124
Motor Vehicle Highway	10,038	16,663	18,817	7,884	21,099	15,131	13,852
Local Roads and Street	2,997	4,277	-	7,274	3,565	-	10,839
Cumulative Capl Imprv Cigarette Tax	4,280	644	-	4,924	2,105	-	7,029
Cumulative Capital Development	50,727	2,018	-	52,745	1,713	-	54,458
Tree Fund	106	-	-	106	-	-	106
Water Utility-Operating	36,245	84,642	93,364	27,523	83,017	91,514	19,026
Water Utility-Bond And Interest	27,870	14,400	14,600	27,670	14,400	14,050	28,020
Water Utility- Depreciation/ Improve	1,500	6,000	4,000	3,500	6,000	-	9,500
Water Utility-Customer Deposit	7,425	1,000	530	7,895	1,050	500	8,445
USDA Rural Development	-	-	-	-	2,020,209	1,747,888	272,321
Construction Fund	-	200,163	187,517	12,646	6,170	18,752	64
SRF	-	-	-	-	600,000	600,000	-
OCRA CDBG	-	-	-	-	165,660	125,470	40,190
Totals	<u>\$ 178,823</u>	<u>\$ 384,454</u>	<u>\$ 360,024</u>	<u>\$ 203,253</u>	<u>\$ 2,977,063</u>	<u>\$ 2,672,342</u>	<u>\$ 507,974</u>

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

TOWN OF NEWPORT  
NOTES TO FINANCIAL STATEMENTS

**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 NEWPORT  
NOTES TO FINANCIAL STATEMENTS  
(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.

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

Penalties which include fees received for late payments.

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

*E. Disbursements*

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

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

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

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

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

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

TOWN OF NEWPORT  
NOTES TO FINANCIAL STATEMENTS  
(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 NEWPORT  
NOTES TO FINANCIAL STATEMENTS  
(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.

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

	General	Motor Vehicle Highway	Local Roads and Street	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Tree Fund	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 37,635	\$ 10,038	\$ 2,997	\$ 4,280	\$ 50,727	\$ 106	\$ 36,245	\$ 27,870
Receipts:								
Taxes	35,160	-	-	-	911	-	-	-
Licenses and permits	2,865	-	-	-	-	-	-	-
Intergovernmental	6,762	11,906	4,277	644	65	-	-	-
Charges for services	8,257	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	77,595	-
Penalties	-	-	-	-	-	-	1,714	-
Other receipts	1,603	4,757	-	-	1,042	-	5,333	14,400
Total receipts	<u>54,647</u>	<u>16,663</u>	<u>4,277</u>	<u>644</u>	<u>2,018</u>	<u>-</u>	<u>84,642</u>	<u>14,400</u>
Disbursements:								
Personal services	6,477	11,111	-	-	-	-	20,385	-
Supplies	2,551	4,573	-	-	-	-	-	-
Other services and charges	24,480	3,095	-	-	-	-	3,717	-
Debt service - principal and interest	-	-	-	-	-	-	-	14,600
Capital outlay	6,127	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	30,464	-
Other disbursements	1,561	38	-	-	-	-	38,798	-
Total disbursements	<u>41,196</u>	<u>18,817</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,364</u>	<u>14,600</u>
Excess (deficiency) of receipts over disbursements	<u>13,451</u>	<u>(2,154)</u>	<u>4,277</u>	<u>644</u>	<u>2,018</u>	<u>-</u>	<u>(8,722)</u>	<u>(200)</u>
Cash and investments - ending	<u>\$ 51,086</u>	<u>\$ 7,884</u>	<u>\$ 7,274</u>	<u>\$ 4,924</u>	<u>\$ 52,745</u>	<u>\$ 106</u>	<u>\$ 27,523</u>	<u>\$ 27,670</u>

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

	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	USDA Rural Development	Construction Fund	SRF	OCRA CDBG	Totals
Cash and investments - beginning	\$ 1,500	\$ 7,425	\$ -	\$ -	\$ -	\$ -	\$ 178,823
Receipts:							
Taxes	-	-	-	-	-	-	36,071
Licenses and permits	-	-	-	-	-	-	2,865
Intergovernmental	-	-	-	-	-	-	23,654
Charges for services	-	-	-	-	-	-	8,257
Utility fees	-	1,000	-	-	-	-	78,595
Penalties	-	-	-	-	-	-	1,714
Other receipts	6,000	-	-	200,163	-	-	233,298
Total receipts	<u>6,000</u>	<u>1,000</u>	<u>-</u>	<u>200,163</u>	<u>-</u>	<u>-</u>	<u>384,454</u>
Disbursements:							
Personal services	-	-	-	-	-	-	37,973
Supplies	-	-	-	-	-	-	7,124
Other services and charges	-	-	-	-	-	-	31,292
Debt service - principal and interest	4,000	-	-	-	-	-	18,600
Capital outlay	-	-	-	-	-	-	6,127
Utility operating expenses	-	-	-	-	-	-	30,464
Other disbursements	-	530	-	187,517	-	-	228,444
Total disbursements	<u>4,000</u>	<u>530</u>	<u>-</u>	<u>187,517</u>	<u>-</u>	<u>-</u>	<u>360,024</u>
Excess (deficiency) of receipts over disbursements	<u>2,000</u>	<u>470</u>	<u>-</u>	<u>12,646</u>	<u>-</u>	<u>-</u>	<u>11,784</u>
Cash and investments - ending	<u>\$ 3,500</u>	<u>\$ 7,895</u>	<u>\$ -</u>	<u>\$ 12,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 203,253</u>

TOWN OF NEWPORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013

	General	Motor Vehicle Highway	Local Roads and Street	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Tree Fund	Water Utility-Operating	Water Utility-Bond And Interest
Cash and investments - beginning	\$ 51,086	\$ 7,884	\$ 7,274	\$ 4,924	\$ 52,745	\$ 106	\$ 27,523	\$ 27,670
Receipts:								
Taxes	34,647	-	-	-	937	-	-	-
Licenses and permits	2,745	-	-	-	-	-	-	-
Intergovernmental	3,671	21,099	3,565	2,105	259	-	-	-
Charges for services	7,510	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	80,014	-
Penalties	-	-	-	-	-	-	1,799	-
Other receipts	3,502	-	-	-	517	-	1,204	14,400
Total receipts	<u>52,075</u>	<u>21,099</u>	<u>3,565</u>	<u>2,105</u>	<u>1,713</u>	<u>-</u>	<u>83,017</u>	<u>14,400</u>
Disbursements:								
Personal services	6,067	6,986	-	-	-	-	14,715	-
Supplies	3,267	6,885	-	-	-	-	-	-
Other services and charges	40,913	1,260	-	-	-	-	4,205	-
Debt service - principal and interest	-	-	-	-	-	-	14,050	14,050
Capital outlay	-	-	-	-	-	-	8,514	-
Utility operating expenses	-	-	-	-	-	-	38,804	-
Other disbursements	8,790	-	-	-	-	-	11,226	-
Total disbursements	<u>59,037</u>	<u>15,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>91,514</u>	<u>14,050</u>
Excess (deficiency) of receipts over disbursements	<u>(6,962)</u>	<u>5,968</u>	<u>3,565</u>	<u>2,105</u>	<u>1,713</u>	<u>-</u>	<u>(8,497)</u>	<u>350</u>
Cash and investments - ending	<u>\$ 44,124</u>	<u>\$ 13,852</u>	<u>\$ 10,839</u>	<u>\$ 7,029</u>	<u>\$ 54,458</u>	<u>\$ 106</u>	<u>\$ 19,026</u>	<u>\$ 28,020</u>

TOWN OF NEWPORT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For the Year Ended December 31, 2013  
 (Continued)

	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	USDA Rural Development	Construction Fund	SRF	OCRA CDBG	Totals
Cash and investments - beginning	\$ 3,500	\$ 7,895	\$ -	\$ 12,646	\$ -	\$ -	\$ 203,253
Receipts:							
Taxes	-	-	-	-	-	-	35,584
Licenses and permits	-	-	-	-	-	-	2,745
Intergovernmental	-	-	-	-	-	-	30,699
Charges for services	-	-	-	-	-	-	7,510
Utility fees	-	-	-	-	-	-	80,014
Penalties	-	-	-	-	-	-	1,799
Other receipts	6,000	1,050	2,020,209	6,170	600,000	165,660	2,818,712
Total receipts	<u>6,000</u>	<u>1,050</u>	<u>2,020,209</u>	<u>6,170</u>	<u>600,000</u>	<u>165,660</u>	<u>2,977,063</u>
Disbursements:							
Personal services	-	-	-	-	-	-	27,768
Supplies	-	-	-	-	-	-	10,152
Other services and charges	-	-	-	-	-	-	46,378
Debt service - principal and interest	-	-	-	-	-	-	28,100
Capital outlay	-	-	-	-	-	-	8,514
Utility operating expenses	-	-	-	-	-	-	38,804
Other disbursements	-	500	1,747,888	18,752	600,000	125,470	2,512,626
Total disbursements	<u>-</u>	<u>500</u>	<u>1,747,888</u>	<u>18,752</u>	<u>600,000</u>	<u>125,470</u>	<u>2,672,342</u>
Excess (deficiency) of receipts over disbursements	<u>6,000</u>	<u>550</u>	<u>272,321</u>	<u>(12,582)</u>	<u>-</u>	<u>40,190</u>	<u>304,721</u>
Cash and investments - ending	<u>\$ 9,500</u>	<u>\$ 8,445</u>	<u>\$ 272,321</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 40,190</u>	<u>\$ 507,974</u>

TOWN OF NEWPORT  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2013

Government or Enterprise	Accounts Payable	Accounts Receivable
Newport Water Works	\$ -	\$ 4,109
Governmental activities	-	-
Totals	\$ -	\$ 4,109



TOWN OF NEWPORT  
SCHEDULE OF LEASES AND DEBT  
December 31, 2013

Description of Debt		Ending	Principal and
Type	Purpose	Principal	Interest Due
		Balance	Within One
			Year
Newport Water Works:			
Notes and loans payable	Wastewater Construction	\$ 1,305,000	\$ -
Notes and loans payable	LOAN	50,000	13,500
Totals		<u>\$ 1,355,000</u>	<u>\$ 13,500</u>

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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](http://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 NEWPORT, VERMILLION COUNTY, INDIANA

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

We have audited the Town of Newport'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, 2012 to December 31, 2013. 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, 2012 to December 31, 2013.

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 2013-004. 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.

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 2013-003 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.

  
Paul D. Joyce, CPA  
State Examiner

October 2, 2014

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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 NEWPORT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Years Ended December 31, 2012 and 2013

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 12-31-12	Total Federal Awards Expended 12-31-13
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct Grant	10.760	15-083-410-141-744	\$ -	\$ 2,015,736
<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	CF-08-600	-	165,642
<u>Environmental Protection Agency</u>					
ARRA - Capitalization Grants for Clean Water State Revolving Funds	Indiana Finance Authority	66.458	WW11128301	-	600,000
Total federal awards expended				<u>\$ -</u>	<u>\$ 2,781,378</u>

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

TOWN OF NEWPORT  
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 NEWPORT  
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?	none reported
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:

CFDA Number	Name of Federal Program or Cluster
66.458	Water and Waste Program Cluster ARRA - Capitalization Grants for Clean Water State Revolving Funds

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 2013-001 - INTERNAL CONTROLS AND COMPLIANCE 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, disbursements, payroll and related liabilities, and cash and investment balances. The Clerk-Treasurer posts

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

the ledger, makes deposits, and reconciles the bank account. The billing clerk calculates and prepares bills, posts payments to customer accounts, and reconciles the bank account. The failure to establish these controls could enable material misstatements or irregularities to remain undetected.

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Clerk-Treasurer prepares and submits the annual financial report in the Gateway system without review by another person prior to submission. The annual financial report is used to compile the Town's financial statement. 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 and correct, 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.

The sewer construction project funds were omitted from the Town's financial statement and ledger. With approval of the management of the Town, the following funds have been added to the financial statement:

2012				
Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
Construction Fund	\$ -	\$ 200,163	\$ 187,517	\$ 12,646

2013				
Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
USDA Rural Development	\$ -	\$ 2,020,209	\$ 1,747,888	\$ 272,321
Construction Fund	12,646	6,170	18,752	64
SRF	-	600,000	600,000	-
OCRA CDBG	-	165,660	125,470	40,190

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 NEWPORT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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."

***FINDING 2013-002 - INTERNAL CONTROLS AND COMPLIANCE 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 SEFA was prepared by the Clerk-Treasurer without an additional review by someone other than the Clerk-Treasurer. The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without a proper system of internal control in place that operates effectively, material misstatements of the SEFA could remain undetected.

During the audit of the SEFA, we noted the following errors: the ARRA - Capitalization Grants for Clean Water State Revolving Fund and Water and Waste Disposal Systems for Rural Communities were omitted from the schedule. Audit adjustments were proposed, accepted by the Town, and made to the SEFA 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)

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

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

Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.

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

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

***FINDING 2013-003 - INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS THAT HAVE A DIRECT AND MATERIAL EFFECT TO WATER AND WASTE DISPOSAL SYSTEMS FOR RURAL COMMUNITIES AND CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS***

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): 15-083-410-141-744, FY 2013

Federal Agency: Environmental Protection Agency  
Federal Program: ARRA - Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number: 66.458  
Federal Award Number and Year (or Other Identifying Number): WW11128301, FY 2013  
Pass-Through Entity: Indiana Finance Authority

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 on the programs. This includes the following compliance requirements: Activities Allowed; Allowable Costs; Cash Management; Davis-Bacon Act; Period of Availability; Procurement and Suspension and Debarment for both programs and Special Tests and Provisions for ARRA - Capitalization Grants for Clean Water State Revolving Funds only. The Grant Administrator performs all of the grant compliance requirements with no review or monitoring by the Town. The funding is neither recorded on the Town's ledger, nor is it reported in the Town's financial statement. 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 programs.

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

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. 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 all compliance requirements that have a direct and material effect to the programs.

***FINDING 2013-004 - SPECIAL TESTS AND PROVISIONS***

Federal Agency: Environmental Protection Agency  
Federal Program: ARRA - Capitalization Grants for Clean Water State Revolving Funds  
CFDA Number: 66.458  
Federal Award Number and Year (or Other Identifying Number): WW11128301, FY 2013  
Pass-Through Entity: Indiana Finance Authority

The Town did not set up a fund on their ledger for transactions for this program. The program was also not included on the Schedule of Expenditures of Federal Awards.

American Recovery and Reinvestment Act (ARRA) standards require that ARRA funds should be maintained separately from other funds and that they should be appropriately identified and separately reported on the Schedule of Expenditures of Federal Awards.

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

"The auditee shall:

- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.

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

- (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.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.
- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §\_\_\_.310."

2 CFR 176.210 states in part:

"(a) To maximize the transparency and accountability of funds authorized under the American Recovery and Reinvestment Act of 2009 (Pub. L. 111-5) (Recovery Act) as required by Congress and in accordance with 2 CFR 215.21 'Uniform Administrative Requirements for Grants and Agreements' and OMB Circular A-102 Common Rules provisions, recipients agree to maintain records that identify adequately the source and application of Recovery Act funds. OMB Circular A-102 is available at <http://www.whitehouse.gov/omb/circulars/a102/a102.html>.

(b) For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, 'Audits of States, Local Governments, and Non-Profit Organizations,' recipients agree to separately identify the expenditures for Federal awards under the Recovery Act on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. OMB Circular A-133 is available at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>. This shall be accomplished by identifying expenditures for Federal awards made under the Recovery Act separately on the SEFA, and as separate rows under Item 9 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix 'ARRA-' in identifying the name of the Federal program on the SEFA and as the first characters in Item 9d of Part III on the SF-SAC."

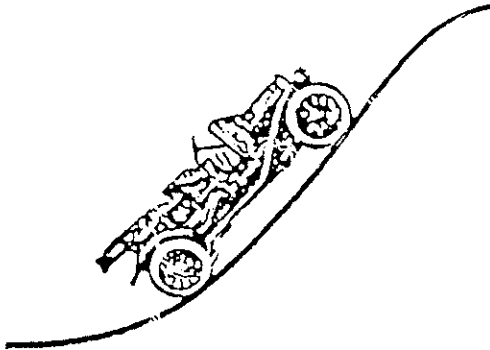
Failure to keep proper records of the grant transactions could result in inaccurate reporting, difficulty in complying with other grant requirements, improper decision-making, and could jeopardize future funding.

We recommended that the Town, in the future, maintain a record of all monies received and disbursed in their ledger, with separate funds set-up for each grant. The Town should also include all Federal programs on the Schedule of Expenditures of Federal Awards.



AUDITEE PREPARED DOCUMENT

The subsequent document was provided by management of the Town. The document is presented as intended by the Town.



# TOWN *of* NEWPORT, INDIANA.

OFFICE OF THE TOWN BOARD

*Home of the Antique Auto Hill Climb*

## FINDING 2013-001:

- \* While segregation of duties would be the desirable procedure, the fact that this unit has only one individual in the position of clerk-treasurer precludes segregation. In the future the president of the town council will periodically review the documents relating to receipts, disbursements, payroll, and cash and investment balances. The clerk-treasurer will periodically review the books of the billing clerk to ensure accuracy.
- \* The president of the town council will review the annual financial report prior to its submission.
- \* At least annually the town council will review controls for adequacy and make required changes.
- \* Ledger will be initiated and completed in accordance with applicable laws and directives.

## FINDING 2013-002

SEFA will be prepared by the clerk-treasurer and reviewed and approved by the town council.

## FINDING 2013-003

The town council will review grant transactions monthly to ensure compliance. Payments of grant funds currently requires the signature of both the clerk-treasurer and the council president.

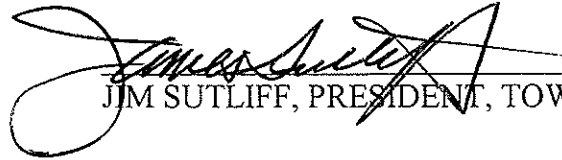
## FINDING 2013-004

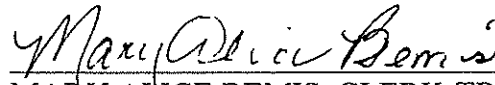
The town will set up a ledger for transactions in this program and ensure that all transactions are currently and accurately entered.

CONTACT PERSON RESPONSIBLE  
FOR CORRECTION ACTION:  
CONTACT PHONE NO:

MARY ALICE BEMIS  
4765-492-3518

ANTICIPATED COMPLETION  
DATE: \_\_\_\_\_

  
JIM SUTLIFF, PRESIDENT, TOWN COUNCIL

  
MARY ALICE BEMIS, CLERK-TREASURER

DATE: 9-25-14

#### OTHER REPORT

In addition to this report, a Supplemental Compliance Report has been issued for the Town. That report can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.