

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NEW CHICAGO
LAKE COUNTY, INDIANA

January 1, 2012 to December 31, 2013



FILED
04/10/2015

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SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------------|--|
| Clerk-Treasurer | Lori L. Reno | 01-01-12 to 12-31-15 |
| President of the Town Council | Laurie Robbins Pam Richard | 01-01-12 to 12-31-13 01-01-14 to 12-31-15 |
| Manager of Utilities | Esta A. Barber | 01-01-10 to 12-31-15 |



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW CHICAGO, LAKE COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of New Chicago (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 January 22, 2015, 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

January 22, 2015



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
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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 NEW CHICAGO, LAKE 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 New Chicago (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 January 22, 2015, 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, 2013-002, and 2013-003 to be material weaknesses.

Compliance and Other Matters

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

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)

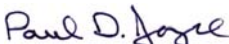
determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be 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 New Chicago'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

January 22, 2015

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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 NEW CHICAGO
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 | \$ 154,202 | \$ 548,685 | \$ 625,798 | \$ 77,089 | \$ 486,302 | \$ 536,703 | \$ 26,688 |
| Motor Vehicle Highway | 23,412 | 58,758 | 72,273 | 9,897 | 61,110 | 59,073 | 11,934 |
| Local Road And Street | 39,916 | 25,585 | 6,496 | 59,005 | 23,576 | 15,254 | 67,327 |
| Economic Development Operating | 5,403 | 9,450 | 542 | 14,311 | 4,725 | 550 | 18,486 |
| Sanitation | 28,488 | 89,166 | 86,638 | 31,016 | 89,417 | 90,000 | 30,433 |
| Law Enforcement Continuing Ed | 14,651 | 4,450 | 5,627 | 13,474 | 10,797 | 5,871 | 18,400 |
| Deferral Program | 7,052 | 101,086 | 108,376 | (238) | 78,421 | 77,253 | 930 |
| Riverboat | 32,909 | 26,070 | 692 | 58,287 | 24,139 | 41,927 | 40,499 |
| Parks And Recreation | 14,231 | 20,657 | 20,720 | 14,168 | 40,014 | 34,795 | 19,387 |
| Major Moves Construction | 57 | - | - | 57 | - | - | 57 |
| Cumulative Capl Imprv Cigarette Tax | 18,086 | 5,397 | 12,705 | 10,778 | 5,463 | 3,975 | 12,266 |
| Cumulative Capital Development | - | - | - | - | 4,596 | - | 4,596 |
| Police Pension | 14,884 | - | - | 14,884 | - | - | 14,884 |
| Park & Rec Building Fund | - | 7,473 | 250 | 7,223 | 14,951 | - | 22,174 |
| Drug Task Force | - | - | 2,316 | (2,316) | 5,772 | 4,608 | (1,152) |
| Traffic Signal Grant | - | - | - | - | 47,394 | 47,394 | - |
| Towing | 7,179 | 11,040 | 6,668 | 11,551 | 12,010 | 12,861 | 10,700 |
| Ms4 | 20,227 | 51,539 | 27,394 | 44,372 | 62,375 | 43,990 | 62,757 |
| Fire Donation | 1,037 | 2,940 | 2,075 | 1,902 | 5,230 | 5,431 | 1,701 |
| Park Donation | 775 | 1,144 | 1,321 | 598 | 1,582 | 1,496 | 684 |
| Recycling | 658 | 16,440 | 13,006 | 4,092 | 10,960 | 3,858 | 11,194 |
| Court Fees | 417 | - | - | 417 | - | - | 417 |
| Police Donation | 2,417 | - | - | 2,417 | 834 | 2,653 | 598 |
| Fire Equip./Training | 1,350 | - | 882 | 468 | 2,590 | 893 | 2,165 |
| Payroll | 3,416 | 497,995 | 496,318 | 5,093 | 509,042 | 511,596 | 2,539 |
| Park & Recreation Deposits | 1,390 | 700 | 700 | 1,390 | 925 | 1,825 | 490 |
| Wastewater Utility-Operating | 8,358 | 207,526 | 178,420 | 37,464 | 197,513 | 178,604 | 56,373 |
| Wastewater Utility-Deprec/Improve | 40,854 | 600 | - | 41,454 | 600 | - | 42,054 |
| Wastewater Utility-Other #1 | 82,420 | 155,200 | 157,295 | 80,325 | 230,200 | 162,632 | 147,893 |
| Water Utility-Operating | 243,054 | 1,445,069 | 1,338,586 | 349,537 | 1,342,195 | 1,655,162 | 36,570 |
| Water Utility-Depreciation/Improve | 137,861 | 59,371 | 28,328 | 168,904 | 73,653 | 68,008 | 174,549 |
| Water Utility-Customer Deposit | 149,062 | 16,577 | 13,249 | 152,390 | 16,388 | 13,305 | 155,473 |
| Water Utility-Other #1 | 130,458 | 175,724 | 91,483 | 214,699 | 103,007 | 135,874 | 181,832 |
| SRF | - | 6,012,617 | 295,267 | 5,717,350 | 443,410 | 4,096,962 | 2,063,798 |
| Totals | <u>\$ 1,184,224</u> | <u>\$ 9,551,259</u> | <u>\$ 3,593,425</u> | <u>\$ 7,142,058</u> | <u>\$ 3,909,191</u> | <u>\$ 7,812,553</u> | <u>\$ 3,238,696</u> |

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

TOWN OF NEW CHICAGO
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, 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 NEW CHICAGO
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.

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.

TOWN OF NEW CHICAGO
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

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 NEW CHICAGO
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 Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing 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
One North Capitol, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

TOWN OF NEW CHICAGO
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.

B. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Retirement System (INPRS) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

INPRS 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

Funding Policy

The contribution requirements of plan members and the Town are established by the Board of Trustees of INPRS.

Note 7. Cash Balance Deficit

The financial statement contains one fund with a deficit in cash. This is a result of the reimbursement for expenditures made by the Town not being received by December 31, 2013.

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

| | General | Motor Vehicle Highway | Local Road And Street | Economic Development Operating | Sanitation | Law Enforcement Continuing Ed | Deferral Program |
|--|------------------|-----------------------------|--------------------------------|--------------------------------------|------------------|--|---------------------|
| Cash and investments - beginning | \$ 154,202 | \$ 23,412 | \$ 39,916 | \$ 5,403 | \$ 28,488 | \$ 14,651 | \$ 7,052 |
| Receipts: | | | | | | | |
| Taxes | 274,056 | - | - | 9,450 | - | - | - |
| Licenses and permits | 26,861 | - | - | - | - | 975 | - |
| Intergovernmental | 23,435 | 55,678 | 25,585 | - | - | - | - |
| Charges for services | 42,012 | - | - | - | 89,166 | 1,705 | - |
| Fines and forfeits | 14,640 | - | - | - | - | 1,770 | 101,086 |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | 167,681 | 3,080 | - | - | - | - | - |
| Total receipts | <u>548,685</u> | <u>58,758</u> | <u>25,585</u> | <u>9,450</u> | <u>89,166</u> | <u>4,450</u> | <u>101,086</u> |
| Disbursements: | | | | | | | |
| Personal services | 181,024 | 4,973 | 2,176 | - | - | - | 38,614 |
| Supplies | 7,977 | 792 | - | - | - | 3,021 | - |
| Other services and charges | 177,356 | 55,930 | 4,320 | - | 86,638 | 1,112 | 3,231 |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | 10,578 | - | - | - | 1,444 | 221 |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | 259,441 | - | - | 542 | - | 50 | 66,310 |
| Total disbursements | <u>625,798</u> | <u>72,273</u> | <u>6,496</u> | <u>542</u> | <u>86,638</u> | <u>5,627</u> | <u>108,376</u> |
| Excess (deficiency) of receipts over disbursements | <u>(77,113)</u> | <u>(13,515)</u> | <u>19,089</u> | <u>8,908</u> | <u>2,528</u> | <u>(1,177)</u> | <u>(7,290)</u> |
| Cash and investments - ending | <u>\$ 77,089</u> | <u>\$ 9,897</u> | <u>\$ 59,005</u> | <u>\$ 14,311</u> | <u>\$ 31,016</u> | <u>\$ 13,474</u> | <u>\$ (238)</u> |

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

| | Riverboat | Parks And Recreation | Major Moves Construction | Cumulative Capl Imprv Cigarette Tax | Cumulative Capital Development | Police Pension | Park & Rec Building Fund |
|--|------------------|----------------------------|--------------------------------|--|--------------------------------------|-------------------|--------------------------------|
| Cash and investments - beginning | \$ 32,909 | \$ 14,231 | \$ 57 | \$ 18,086 | \$ - | \$ 14,884 | \$ - |
| Receipts: | | | | | | | |
| Taxes | - | 18,829 | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 26,070 | 1,117 | - | 5,397 | - | - | - |
| Charges for services | - | 660 | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | - | 51 | - | - | - | - | 7,473 |
| Total receipts | <u>26,070</u> | <u>20,657</u> | <u>-</u> | <u>5,397</u> | <u>-</u> | <u>-</u> | <u>7,473</u> |
| Disbursements: | | | | | | | |
| Personal services | - | 3,989 | - | - | - | - | - |
| Supplies | 242 | 2,383 | - | - | - | - | - |
| Other services and charges | - | 7,541 | - | 12,705 | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | 1,807 | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | 450 | 5,000 | - | - | - | - | 250 |
| Total disbursements | <u>692</u> | <u>20,720</u> | <u>-</u> | <u>12,705</u> | <u>-</u> | <u>-</u> | <u>250</u> |
| Excess (deficiency) of receipts over disbursements | <u>25,378</u> | <u>(63)</u> | <u>-</u> | <u>(7,308)</u> | <u>-</u> | <u>-</u> | <u>7,223</u> |
| Cash and investments - ending | <u>\$ 58,287</u> | <u>\$ 14,168</u> | <u>\$ 57</u> | <u>\$ 10,778</u> | <u>\$ -</u> | <u>\$ 14,884</u> | <u>\$ 7,223</u> |

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

| | Drug Task Force | Traffic Signal Grant | Towing | Ms4 | Fire Donation | Park Donation | Recycling |
|--|-----------------------|----------------------------|------------------|------------------|------------------|------------------|-----------------|
| Cash and investments - beginning | \$ - | \$ - | \$ 7,179 | \$ 20,227 | \$ 1,037 | \$ 775 | \$ 658 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | - | - | 11,040 | 51,539 | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | - | - | - | - | 2,940 | 1,144 | 16,440 |
| Total receipts | - | - | 11,040 | 51,539 | 2,940 | 1,144 | 16,440 |
| Disbursements: | | | | | | | |
| Personal services | 2,316 | - | - | 3,813 | - | - | - |
| Supplies | - | - | - | 9,122 | 757 | 1,185 | - |
| Other services and charges | - | - | 6,668 | 9,115 | 525 | - | 13,006 |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | - | - | - | 5,344 | 793 | 136 | - |
| Total disbursements | 2,316 | - | 6,668 | 27,394 | 2,075 | 1,321 | 13,006 |
| Excess (deficiency) of receipts over disbursements | (2,316) | - | 4,372 | 24,145 | 865 | (177) | 3,434 |
| Cash and investments - ending | <u>\$ (2,316)</u> | <u>\$ -</u> | <u>\$ 11,551</u> | <u>\$ 44,372</u> | <u>\$ 1,902</u> | <u>\$ 598</u> | <u>\$ 4,092</u> |

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

| | Court Fees | Police Donation | Fire Equip./Training | Payroll | Park & Recreation Deposits | Wastewater Utility-Operating | Wastewater Utility-Deprec/ Improve |
|--|---------------|--------------------|-------------------------|----------|----------------------------------|---------------------------------|--|
| Cash and investments - beginning | \$ 417 | \$ 2,417 | \$ 1,350 | \$ 3,416 | \$ 1,390 | \$ 8,358 | \$ 40,854 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | 207,352 | - |
| Other receipts | - | - | - | 497,995 | 700 | 174 | 600 |
| Total receipts | - | - | - | 497,995 | 700 | 207,526 | 600 |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | 496,318 | - | 6,384 | - |
| Supplies | - | - | - | - | - | - | - |
| Other services and charges | - | - | 882 | - | - | 13,148 | - |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | 158,888 | - |
| Other disbursements | - | - | - | - | 700 | - | - |
| Total disbursements | - | - | 882 | 496,318 | 700 | 178,420 | - |
| Excess (deficiency) of receipts over disbursements | - | - | (882) | 1,677 | - | 29,106 | 600 |
| Cash and investments - ending | \$ 417 | \$ 2,417 | \$ 468 | \$ 5,093 | \$ 1,390 | \$ 37,464 | \$ 41,454 |

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

| | Wastewater Utility-Other #1 | Water Utility-Operating | Water Utility-Depreciation/ Improve | Water Utility-Customer Deposit | Water Utility-Other #1 | SRF | Totals |
|--|-----------------------------------|----------------------------|---|--------------------------------------|------------------------------|---------------------|---------------------|
| Cash and investments - beginning | \$ 82,420 | \$ 243,054 | \$ 137,861 | \$ 149,062 | \$ 130,458 | \$ - | \$ 1,184,224 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | 302,335 |
| Licenses and permits | - | - | - | - | - | - | 27,836 |
| Intergovernmental | - | - | - | - | - | 6,012,617 | 6,149,899 |
| Charges for services | - | - | - | - | - | - | 196,122 |
| Fines and forfeits | - | - | - | - | - | - | 117,496 |
| Utility fees | - | 1,105,856 | - | 15,415 | 87,501 | - | 1,416,124 |
| Other receipts | 155,200 | 339,213 | 59,371 | 1,162 | 88,223 | - | 1,341,447 |
| Total receipts | <u>155,200</u> | <u>1,445,069</u> | <u>59,371</u> | <u>16,577</u> | <u>175,724</u> | <u>6,012,617</u> | <u>9,551,259</u> |
| Disbursements: | | | | | | | |
| Personal services | - | 297,901 | - | - | - | - | 1,037,508 |
| Supplies | - | - | - | - | - | - | 25,479 |
| Other services and charges | - | 73,845 | - | - | - | - | 466,022 |
| Debt service - principal and interest | 87,295 | 6,360 | - | - | 6,257 | - | 99,912 |
| Capital outlay | - | - | - | - | - | 295,267 | 309,317 |
| Utility operating expenses | - | 946,811 | 28,328 | - | 83,929 | - | 1,217,956 |
| Other disbursements | 70,000 | 13,669 | - | 13,249 | 1,297 | - | 437,231 |
| Total disbursements | <u>157,295</u> | <u>1,338,586</u> | <u>28,328</u> | <u>13,249</u> | <u>91,483</u> | <u>295,267</u> | <u>3,593,425</u> |
| Excess (deficiency) of receipts over disbursements | <u>(2,095)</u> | <u>106,483</u> | <u>31,043</u> | <u>3,328</u> | <u>84,241</u> | <u>5,717,350</u> | <u>5,957,834</u> |
| Cash and investments - ending | <u>\$ 80,325</u> | <u>\$ 349,537</u> | <u>\$ 168,904</u> | <u>\$ 152,390</u> | <u>\$ 214,699</u> | <u>\$ 5,717,350</u> | <u>\$ 7,142,058</u> |

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

| | General | Motor Vehicle Highway | Local Road And Street | Economic Development Operating | Sanitation | Law Enforcement Continuing Ed | Deferral Program |
|--|------------------|-----------------------------|--------------------------------|--------------------------------------|------------------|--|---------------------|
| Cash and investments - beginning | \$ 77,089 | \$ 9,897 | \$ 59,005 | \$ 14,311 | \$ 31,016 | \$ 13,474 | \$ (238) |
| Receipts: | | | | | | | |
| Taxes | 259,388 | - | - | 4,725 | - | - | - |
| Licenses and permits | 31,335 | - | - | - | - | 760 | - |
| Intergovernmental | 36,516 | 61,110 | 23,221 | - | - | - | - |
| Charges for services | 42,038 | - | - | - | 89,417 | 5,010 | - |
| Fines and forfeits | 22,872 | - | - | - | - | 5,027 | 78,421 |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | 94,153 | - | 355 | - | - | - | - |
| Total receipts | <u>486,302</u> | <u>61,110</u> | <u>23,576</u> | <u>4,725</u> | <u>89,417</u> | <u>10,797</u> | <u>78,421</u> |
| Disbursements: | | | | | | | |
| Personal services | 177,178 | 3,883 | 2,523 | - | - | - | 28,551 |
| Supplies | 8,721 | 3,692 | - | - | - | 2,510 | - |
| Other services and charges | 154,003 | 46,800 | 12,731 | - | 90,000 | 2,961 | 147 |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | 1,318 | 4,698 | - | - | - | 400 | 2,000 |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | 195,483 | - | - | 550 | - | - | 46,555 |
| Total disbursements | <u>536,703</u> | <u>59,073</u> | <u>15,254</u> | <u>550</u> | <u>90,000</u> | <u>5,871</u> | <u>77,253</u> |
| Excess (deficiency) of receipts over disbursements | <u>(50,401)</u> | <u>2,037</u> | <u>8,322</u> | <u>4,175</u> | <u>(583)</u> | <u>4,926</u> | <u>1,168</u> |
| Cash and investments - ending | <u>\$ 26,688</u> | <u>\$ 11,934</u> | <u>\$ 67,327</u> | <u>\$ 18,486</u> | <u>\$ 30,433</u> | <u>\$ 18,400</u> | <u>\$ 930</u> |

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

| | Riverboat | Parks And Recreation | Major Moves Construction | Cumulative Capl Imprv Cigarette Tax | Cumulative Capital Development | Police Pension | Park & Rec Building Fund |
|--|------------------|----------------------------|--------------------------------|--|--------------------------------------|-------------------|--------------------------------|
| Cash and investments - beginning | \$ 58,287 | \$ 14,168 | \$ 57 | \$ 10,778 | \$ - | \$ 14,884 | \$ 7,223 |
| Receipts: | | | | | | | |
| Taxes | - | 36,132 | - | - | 4,433 | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 24,139 | 1,328 | - | 5,463 | 163 | - | - |
| Charges for services | - | 725 | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | - | 1,829 | - | - | - | - | 14,951 |
| Total receipts | <u>24,139</u> | <u>40,014</u> | <u>-</u> | <u>5,463</u> | <u>4,596</u> | <u>-</u> | <u>14,951</u> |
| Disbursements: | | | | | | | |
| Personal services | - | 6,978 | - | - | - | - | - |
| Supplies | - | 2,375 | - | - | - | - | - |
| Other services and charges | - | 8,254 | - | 3,975 | - | - | - |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | 41,927 | 4,965 | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | - | 12,223 | - | - | - | - | - |
| Total disbursements | <u>41,927</u> | <u>34,795</u> | <u>-</u> | <u>3,975</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess (deficiency) of receipts over disbursements | <u>(17,788)</u> | <u>5,219</u> | <u>-</u> | <u>1,488</u> | <u>4,596</u> | <u>-</u> | <u>14,951</u> |
| Cash and investments - ending | <u>\$ 40,499</u> | <u>\$ 19,387</u> | <u>\$ 57</u> | <u>\$ 12,266</u> | <u>\$ 4,596</u> | <u>\$ 14,884</u> | <u>\$ 22,174</u> |

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

| | Drug Task Force | Traffic Signal Grant | Towing | Ms4 | Fire Donation | Park Donation | Recycling |
|--|-----------------------|----------------------------|------------------|------------------|------------------|------------------|------------------|
| Cash and investments - beginning | \$ (2,316) | \$ - | \$ 11,551 | \$ 44,372 | \$ 1,902 | \$ 598 | \$ 4,092 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | 5,772 | 47,394 | - | - | - | - | - |
| Charges for services | - | - | 6,180 | 62,375 | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | - | - |
| Other receipts | - | - | 5,830 | - | 5,230 | 1,582 | 10,960 |
| Total receipts | <u>5,772</u> | <u>47,394</u> | <u>12,010</u> | <u>62,375</u> | <u>5,230</u> | <u>1,582</u> | <u>10,960</u> |
| Disbursements: | | | | | | | |
| Personal services | 4,608 | - | - | 5,021 | - | - | - |
| Supplies | - | - | - | - | - | - | - |
| Other services and charges | - | - | 12,861 | - | - | - | 3,858 |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | 47,394 | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - | - |
| Other disbursements | - | - | - | 38,969 | 5,431 | 1,496 | - |
| Total disbursements | <u>4,608</u> | <u>47,394</u> | <u>12,861</u> | <u>43,990</u> | <u>5,431</u> | <u>1,496</u> | <u>3,858</u> |
| Excess (deficiency) of receipts over disbursements | <u>1,164</u> | <u>-</u> | <u>(851)</u> | <u>18,385</u> | <u>(201)</u> | <u>86</u> | <u>7,102</u> |
| Cash and investments - ending | <u>\$ (1,152)</u> | <u>\$ -</u> | <u>\$ 10,700</u> | <u>\$ 62,757</u> | <u>\$ 1,701</u> | <u>\$ 684</u> | <u>\$ 11,194</u> |

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

| | Court Fees | Police Donation | Fire Equip./Training | Payroll | Park & Recreation Deposits | Wastewater Utility-Operating | Wastewater Utility-Deprec/ Improve |
|---|---------------|--------------------|-------------------------|----------|----------------------------------|---------------------------------|--|
| Cash and investments - beginning | \$ 417 | \$ 2,417 | \$ 468 | \$ 5,093 | \$ 1,390 | \$ 37,464 | \$ 41,454 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - |
| Charges for services | - | - | 250 | - | - | - | - |
| Fines and forfeits | - | - | - | - | - | - | - |
| Utility fees | - | - | - | - | - | 197,506 | - |
| Other receipts | - | 834 | 2,340 | 509,042 | 925 | 7 | 600 |
| Total receipts | - | 834 | 2,590 | 509,042 | 925 | 197,513 | 600 |
| Disbursements: | | | | | | | |
| Personal services | - | - | - | 511,596 | - | 6,691 | - |
| Supplies | - | - | - | - | - | - | - |
| Other services and charges | - | - | 808 | - | - | 3,376 | - |
| Debt service - principal and interest | - | - | - | - | - | - | - |
| Capital outlay | - | - | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | 79,402 | - |
| Other disbursements | - | 2,653 | 85 | - | 1,825 | 89,135 | - |
| Total disbursements | - | 2,653 | 893 | 511,596 | 1,825 | 178,604 | - |
| Excess (deficiency) of receipts over disbursements | - | (1,819) | 1,697 | (2,554) | (900) | 18,909 | 600 |
| Cash and investments - ending | \$ 417 | \$ 598 | \$ 2,165 | \$ 2,539 | \$ 490 | \$ 56,373 | \$ 42,054 |

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

| | Wastewater Utility-Other #1 | Water Utility-Operating | Water Utility-Depreciation/ Improve | Water Utility-Customer Deposit | Water Utility-Other #1 | SRF | Totals |
|--|-----------------------------------|----------------------------|---|--------------------------------------|------------------------------|---------------------|---------------------|
| Cash and investments - beginning | \$ 80,325 | \$ 349,537 | \$ 168,904 | \$ 152,390 | \$ 214,699 | \$ 5,717,350 | \$ 7,142,058 |
| Receipts: | | | | | | | |
| Taxes | - | - | - | - | - | - | 304,678 |
| Licenses and permits | - | - | - | - | - | - | 32,095 |
| Intergovernmental | - | - | - | - | - | 443,410 | 648,516 |
| Charges for services | - | - | - | - | - | - | 205,995 |
| Fines and forfeits | - | - | - | - | - | - | 106,320 |
| Utility fees | - | 1,342,195 | - | 15,877 | 102,407 | - | 1,657,985 |
| Other receipts | 230,200 | - | 73,653 | 511 | 600 | - | 953,602 |
| Total receipts | <u>230,200</u> | <u>1,342,195</u> | <u>73,653</u> | <u>16,388</u> | <u>103,007</u> | <u>443,410</u> | <u>3,909,191</u> |
| Disbursements: | | | | | | | |
| Personal services | - | 406,276 | - | - | - | - | 1,153,305 |
| Supplies | - | - | - | - | - | - | 17,298 |
| Other services and charges | - | 38,952 | - | - | - | - | 378,726 |
| Debt service - principal and interest | 87,632 | 311,915 | 36,515 | - | 93,855 | - | 529,917 |
| Capital outlay | - | - | - | - | - | 4,096,962 | 4,199,664 |
| Utility operating expenses | - | 898,019 | 31,493 | - | 41,764 | - | 1,050,678 |
| Other disbursements | 75,000 | - | - | 13,305 | 255 | - | 482,965 |
| Total disbursements | <u>162,632</u> | <u>1,655,162</u> | <u>68,008</u> | <u>13,305</u> | <u>135,874</u> | <u>4,096,962</u> | <u>7,812,553</u> |
| Excess (deficiency) of receipts over disbursements | <u>67,568</u> | <u>(312,967)</u> | <u>5,645</u> | <u>3,083</u> | <u>(32,867)</u> | <u>(3,653,552)</u> | <u>(3,903,362)</u> |
| Cash and investments - ending | <u>\$ 147,893</u> | <u>\$ 36,570</u> | <u>\$ 174,549</u> | <u>\$ 155,473</u> | <u>\$ 181,832</u> | <u>\$ 2,063,798</u> | <u>\$ 3,238,696</u> |

TOWN OF NEW CHICAGO
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2013

| Government or Enterprise | Accounts Payable | Accounts Receivable |
|--------------------------|---------------------|------------------------|
| Wastewater | \$ 1,985 | \$ 16,040 |
| Water | 3,495 | 77,935 |
| Governmental activities | 497 | - |
| Totals | \$ 5,977 | \$ 93,975 |

TOWN OF NEW CHICAGO
 SCHEDULE OF LEASES AND DEBT
 December 31, 2013

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|----------------------------|---------------------------|--------------------------------|---|
| Type | Purpose | | |
| Wastewater: | | | |
| Notes and loans payable | Upgrade sewers | \$ 422,000 | \$ 85,648 |
| Water: | | | |
| State Revolving Funds Loan | Water Improvement Project | 5,076,000 | 377,768 |
| Totals | | <u>\$ 5,498,000</u> | <u>\$ 463,416</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

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Web Site: www.in.gov/sboa

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

TO: THE OFFICIALS OF THE TOWN OF NEW CHICAGO, LAKE COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of New Chicago's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on its major federal program for the period of January 1, 2012 to December 31, 2013. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the Capitalization Grants for Drinking Water State Revolving Funds

As described in items 2013-005 and 2013-006 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding the Davis-Bacon Act and Procurement that are applicable to its Capitalization Grants for Drinking Water State Revolving Funds. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

Qualified Opinion on the Capitalization Grants for Drinking Water State Revolving Funds

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on the Capitalization Grants for Drinking Water State Revolving Funds* paragraph, 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 the Capitalization Grants for Drinking Water State Revolving Funds for the period January 1, 2012 to December 31, 2013.

Other 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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for the 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 2013-004 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.

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

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


Paul D. Joyce, CPA
State Examiner

January 22, 2015

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTE

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

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TOWN OF NEW CHICAGO
 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 Transportation</u> | | | | | |
| Highway Planning and Construction Cluster | | | | | |
| Highway Planning and Construction | Northwest Indiana Regional Planning Commission | | | | |
| Purchase of E-85 Fuel | | 20.205 | A249-12-320733 | \$ 2,878 | \$ 20,750 |
| <u>Environmental Protection Agency</u> | | | | | |
| Capitalization Grants for Drinking Water State Revolving Funds | | | | | |
| Water SRF 2012 | Indiana Finance Authority | 66.468 | DW12054501 | 145,685 | 1,652,594 |
| Total federal awards expended | | | | <u>\$ 148,563</u> | <u>\$ 1,673,344</u> |

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

TOWN OF NEW CHICAGO
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 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF NEW CHICAGO
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 program: | |
| Material weaknesses identified? | yes |
| Significant deficiencies identified? | none reported |
| Type of auditor's report issued on compliance for major program: | Qualified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? | yes |

Identification of Major Program:

| CFDA Number | Name of Federal Program or Cluster |
|----------------|--|
| 66.468 | Capitalization Grants for Drinking 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 deficiencies in the internal control system of the Town related to financial transactions and reporting. Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statement and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of a reliable financial statement and, as a result, has failed to design effective controls over the preparation of the financial statement to prevent or detect material misstatements.

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Clerk-Treasurer is required to report all financial information in the Annual Financial Report. This information is used to compile the financial statement. The Town has not established effective controls to allow for the proper reporting of the Town's receipts and disbursements transactions and cash and investment balances. Reconciled trust and bank account balances were not verified by management which allowed material misstatements in the original financial statement. We consider these deficiencies to be material weaknesses. The financial statement presented for audit included the following omissions:

1. One trust fund related to public improvement projects funded by the State Revolving Loan fund was omitted for 2012. This fund was also not in the Town's records and included receipts of \$6,012,617, disbursements of \$295,267 and an ending cash and investments balance of \$5,717,350.
2. One trust fund related to public improvement projects funded by the State Revolving Loan fund was omitted for 2013. This fund was also not in the Town's records and included receipts of \$443,410, disbursements of \$4,096,962 and an ending cash and investments balance of \$2,063,798.

Audit adjustments were proposed, accepted by the Town, and made to the Town's 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) state:

"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 controls in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer prepares the SEFA without oversight, review, or approval. The Town should have proper controls in place over the preparation of the SEFA to ensure accurate reporting of federal awards. Without an effective system of internal control in place, material misstatements of the SEFA could remain undetected.

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

In failing to establish controls to effectively identify, manage, and report federal financial assistance, the Town materially misrepresented the federal assistance expended in 2012 and 2013. The Town failed to report Capitalization Grants for Clean Water State Revolving Funds federal expenditures which were passed through the Indiana Finance Authority in the amount of \$145,685 and \$1,652,594 for 2012 and 2013, respectively.

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 in part:

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

- (1) List individual Federal programs by Federal agency. For Federal programs included in a cluster of programs, list individual Federal programs within a cluster of programs. For R&D, total Federal awards expended shall be shown either by individual award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity shall be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available."

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FINDING 2013-003 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS

We noted deficiencies in the internal control system of the Town related to financial transactions. 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 and reconcilements of the cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain undetected. We believe the following deficiencies constitute material weaknesses:

Receipts

The Clerk-Treasurer receives the daily collections for sanitation, sanitary sewer, and storm water from the Water Utility. She prepares the deposit in a locked bank bag for these funds, records the collections in the ledger, and reconciles the ledger to the depository accounts.

For other Town funds, the Clerk-Treasurer issues receipts for collections, records the receipts in the ledger, prepares the bank deposit, and reconciles the ledger to the depository balance. There is no segregation of duties such as an oversight or review process.

Water Utility receipts are recorded to the ledger based on the amount of the deposit. Actual collections and/or daily collection summary reports from the computerized billing and collection software are not used. Therefore, actual receipts, including overages and shortages are not accurately recorded.

Disbursements

Vendor checks, other than for the Water Utility disbursements, are printed, signed, and distributed by the Clerk-Treasurer. The Clerk-Treasurer also records the disbursements and reconciles the ledgers to the depository balance. There is no segregation of duties such as an oversight or review process.

Payroll checks are printed, signed, and distributed by the Clerk-Treasurer. The Clerk-Treasurer also records the disbursements and reconciles the ledgers to the depository balance. There is no segregation of duties such as an oversight or review process.

Cash and Investments/Reconcilements

Reconcilements of the ledger balance to the depository balances are performed exclusively by the Clerk-Treasurer. There is no segregation of duties such as an oversight, review, or approval process.

An internal control system, including segregation of duties, should be designed and operate effectively to provide reasonable assurance that material misstatements of the financial statement 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 ensuring proper oversight, reviews, and approvals take place and having 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.

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

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

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

Section III - Federal Award Findings and Questioned Costs

***FINDING 2013-004 - INTERNAL CONTROLS OVER CAPITALIZATION
GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS***

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Clean Drinking Water State Revolving Funds
CFDA Number: 66.468
Federal Award Number: DW12054501
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 some of the compliance requirements that have a direct and material effect on the program. This includes the following compliance requirements: Procurement and Suspension and Debarment, Reporting, Davis-Bacon Act, and Period of Availability. 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 program.

Procurement

The Town does not have a formal purchasing policy. Officials relied on the project engineer to comply with applicable state and federal procurement requirements. There is no segregation of duties such as an oversight or review process of the engineer's procedures.

Suspension and Debarment

The Town did not have procedures in place to ensure that the Suspension and Debarment clause was included in the contract with the vendor. Town officials were not aware of Suspension and Debarment requirements.

Reporting

After claims are approved by the Town Council, the Clerk-Treasurer prepares the SRF Disbursement Request Form to submit to the Indiana Finance Authority for recommendation of payment to the contractors and vendors. The disbursement request is not reviewed by anyone other than the Clerk-Treasurer before the request is submitted. There is no segregation of duties such as an oversight, review, or approval process over the reporting of program expenditures.

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Davis-Bacon Act

The Town did not have controls in place to ensure that the Davis-Bacon Act requirements were included in the contract for the project financed with the grant. In addition, a consultant was hired to monitor compliance with the Davis-Bacon Act labor standards. The Town had no procedures in place to monitor the work of the consultant to ensure compliance with the Davis-Bacon Act requirements.

Period of Availability

The Town conducts regular meetings with the project engineer to receive updates on the status of the project financed by the grant. While the Town is effectively monitoring the construction progress and time-lines; there were no controls in place to ensure that the grant funds were spent within the two year period of availability.

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."

The failure to establish internal controls could enable material noncompliance to go undetected. Noncompliance with the grant agreement or the compliance requirements that have a direct and material effect on 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 on the program.

FINDING 2013-005 - DAVIS-BACON ACT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds (SRF)
CFDA Number: 66.468
Federal Award Number: DW12054501
Pass-Through Entity: Indiana Finance Authority

Public works projects financed with SRF funds require the Town to comply with the Davis-Bacon Act. The Prevailing Wage Clause required in the Davis-Bacon Act was not included in the contract with the construction contractor. However, prevailing wage rate sheets listing the county and the prevailing wages for positions were attached to the contract.

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The Davis-Bacon Act also requires that certified payrolls from all contractors and subcontractors be submitted to the Town weekly. The certified payrolls for the project were not complete. One subcontractor, with a contract for \$27,900, did not submit certified payrolls.

40 CFR 35.938-8 Required construction contract provisions states: "Each construction contract must include the 'Supplemental General Conditions' set forth in appendix C-2 to this subpart."

Appendix C-2 to Subpart E of Part 35—Required Provisions—Construction Contracts, Supplemental General Conditions, 8. Labor Standards, state in part:

"The contractor agrees that 'construction' work (as defined by the Secretary of Labor) shall be subject to the following labor standards provisions, to the extent applicable:

(a) Davis-Bacon Act (40 U.S.C. 276a—276a-7) . . .

and implementing rules, regulations, and relevant orders of the Secretary of Labor or EPA. The contractor further agrees that this contract shall include and be subject to the 'Labor Standards Provisions for Federally assisted Construction Contracts' (EPA form 5720-4) in effect at the time of execution of this agreement."

29 CFR 5.5 states in part:

"(a) The Agency head shall cause or require the contracting officer to insert in full in any contract in excess of \$2,000 which is entered into for the actual construction, alteration and/or repair, including painting and decorating, of a public building or public work, or building or work financed in whole or in part from Federal funds or in accordance with guarantees of a Federal agency or financed from funds obtained by pledge of any contract of a Federal agency to make a loan, grant or annual contribution (except where a different meaning is expressly indicated), and which is subject to the labor standards provisions of any of the acts listed in §5.1, the following clauses (or any modifications thereof to meet the particular needs of the agency, *Provided*, That such modifications are first approved by the Department of Labor):

. . . (3) *Payrolls and basic records.*

(i) Payrolls and basic records relating thereto shall be maintained by the contractor during the course of the work and preserved for a period of three years thereafter for all laborers and mechanics working at the site of the work (or under the United States Housing Act of 1937, or under the Housing Act of 1949, in the construction or development of the project . . .

(ii)(A) The contractor shall submit weekly for each week in which any contract work is performed a copy of all payrolls to the (write in name of appropriate federal agency) if the agency is a party to the contract, but if the agency is not such a party, the contractor will submit the payrolls to the applicant, sponsor, or owner, as the case may be, for transmission to the (write in name of agency) . . .

(B) Each payroll submitted shall be accompanied by a 'Statement of Compliance,' signed by the contractor or subcontractor or his or her agent who pays or supervises the payment of the persons employed under the contract . . ."

TOWN OF NEW CHICAGO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Failure to comply with Davis-Bacon Act requirements could result in the loss of federal funds to the Town.

We recommended that officials comply with the Davis-Bacon Act requirements that have a direct and material effect on the program.

FINDING 2013-006 - PROCUREMENT

Federal Agency: Environmental Protection Agency
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds (SRF)
CFDA Number: 66.468
Federal Award Number: DW12054501
Pass-Through Entity: Indiana Finance Authority

The Town approved a change order which decreased the scope of the project and the contract amount for the project financed with the SRF grant. The original contract was awarded for \$7,022,000. A change order for (\$2,271,029.34) was approved before work on the project commenced. The new contract amount of \$4,750,970.66 represented a decrease of 32 percent.

Indiana Code 36-1-12-18, Change or alteration of specifications; change orders, states in part:

"(c) A change order may not be issued before commencement of the actual construction, reconstruction, or repairs except in the case of an emergency. In that case, the board must make a declaration, and the board's minutes must show the nature of the emergency."

Failure to comply with the grant agreement and the procurement requirements could result in the loss of federal funds to the Town.

We recommended that officials comply with the procurement requirements that have a direct and material effect on the program.

AUDITEE PREPARED DOCUMENT

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

Town of New Chicago



Lori Reno
Clerk Treasurer

122 Huber Blvd. Hobart, Indiana 46342

Office 219.962.1157 • Cell 219.678.0325 • Fax 219.962.5386 • lorireno@frontier.com

CORRECTIVE ACTION PLAN

FINDING 2013-001

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Clerk-Treasurer will establish a system of internal controls over the receipting, disbursing, recording and accounting for the financial activities to provide reasonable assurance regarding the reliability of financial information and records. Management will verify the financial reporting to ensure the accuracy of the records and to make informed decisions.

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

Town of New Chicago



Lori Reno
Clerk Treasurer

122 Huber Blvd. Hobart, Indiana 46342

Office 219.962.1157 • Cell 219.678.0325 • Fax 219.962.5386 • lorireno@frontier.com

CORRECTIVE ACTION PLAN

FINDING 2013-002

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Clerk-Treasurer will implement a procedure whereby the Deputy Clerk will reconcile with the Clerk-Treasurer grant balances, payroll and general ledger expenditures, and drawdown receipt reports to assure that reports submitted are accurate, and has proper documentation to ensure a proper system of internal controls on the Schedule of Expenditures of Federal Awards (SEFA).

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

Town of New Chicago



Lori Reno
Clerk Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2013-003

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Town has not separated incompatible activities due to the size of the Clerk-Treasurer's Office and the availability of staff. The Clerk-Treasurer's Office will review the segregation of duties and separate the approval function, the accounting/reconciliation function, and the asset custody function when possible. When these functions cannot be separated, a detailed supervisory review of related activities will be required.

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

Town of New Chicago



Lori Reno
Clerk Treasurer

122 Huber Blvd. Hobart, Indiana 46342

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CORRECTIVE ACTION PLAN

FINDING 2013-004

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Clerk-Treasurer will establish a system of internal controls, including segregation of duties related to monitoring compliance with the federal grant agreement's requirements, including activities that are allowed or not allowed, allowable costs, and documenting and reporting compliance with the requirements. The Clerk-Treasurer will also review the accounts payable vouchers and monitor and document the monitoring of consultant activities to ensure compliance with all requirements of the grant agreement, including, but not limited to Davis-Bacon requirements.

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

Town of New Chicago



Lori Reno
Clerk Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2013-005

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Clerk-Treasurer will establish a system of internal controls whereby all contractors and subcontractors submit certified payrolls on a weekly basis to comply with all requirements of the Davis-Bacon Act.

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

Town of New Chicago



Lori Reno
Clerk Treasurer

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CORRECTIVE ACTION PLAN

FINDING 2013-006

Contact Person Responsible for Corrective Action: Lori Reno
Contact Phone Number: (219) 962-1157

Description of Corrective Action Plan:

The Clerk-Treasurer will establish a system of internal controls whereby change orders will be not be issued before commencement of actual construction, reconstruction, or repairs except in the case of an emergency in order to comply with the procurement requirements.

Anticipated Completion Date: January 22, 2015

Lori H. Reno
(Signature)

Clerk-Treasurer
(Title)

1-22-15
(Date)

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/>.