

B40642

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF WALTON

CASS COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
07/30/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kim Craig	01-01-08 to 12-31-15
President of the Town Council	Delbert Meador Mike Robison	01-01-10 to 02-28-10 03-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Walton (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements 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 statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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 noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated June 27, 2012, 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 and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. 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 statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2012



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

We have audited the financial statements of the Town of Walton (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated June 27, 2012. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been 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 statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1 to be material weaknesses.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Compliance and Other Matters

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

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2012

## FINANCIAL STATEMENTS

The financial statements were prepared and the accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF WALTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 114,553	\$ 207,882	\$ 223,645	\$ 98,790
Motor Vehicle Highway	171,584	41,980	22,898	190,666
Local Road And Street	28,167	4,680	3,950	28,897
Riverboat	26,429	6,690	4,250	28,869
Parks And Recreation	6,636	3,872	4,353	6,155
Rainy Day	7,109	4,225	2,772	8,562
Levy Excess	-	374	-	374
Local Law	4,290	171	-	4,461
Ordinance Violation	60	-	-	60
Cumulative Capl Imprv Cigarette Tax	50,574	2,305	-	52,879
Cedit Capital Projects	127,291	25,083	77,017	75,357
Energy Grant	-	76,581	76,581	-
Payroll	-	205,476	202,567	2,909
Wastewater Operating	145,202	269,325	272,090	142,437
Wastewater Bond And Interest	-	55,942	55,942	-
Wastewater Debt Service Reserve	54,107	-	-	54,107
Wastewater Depreciation	124,934	87,648	88,627	123,955
Wastewater Customer Deposit	14,313	3,525	2,017	15,821
Wastewater Construction	-	818,257	818,257	-
Wastewater Construction Retainage	43,505	17,208	60,713	-
Water Operating	51,057	283,358	208,082	126,333
Water Depreciation	124,384	34,928	31,915	127,397
Water Consumer Deposit	14,294	3,375	1,859	15,810
Totals	<u>\$ 1,108,489</u>	<u>\$ 2,152,885</u>	<u>\$ 2,157,535</u>	<u>\$ 1,103,839</u>

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

TOWN OF WALTON  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 98,790	\$ 216,353	\$ 208,351	\$ 106,792
Motor Vehicle Highway	190,666	38,097	16,582	212,181
Local Road And Street	28,897	4,614	673	32,838
Riverboat	28,869	-	3,000	25,869
Parks And Recreation	6,155	5,342	5,585	5,912
Rainy Day	8,562	-	302	8,260
Levy Excess	374	-	374	-
Cumulative Capl Imprv Cigarette Tax	52,879	3,258	5,687	50,450
Cedit Capital Projects	75,357	70,641	29,157	116,841
LOIT	-	10,817	-	10,817
Energy Grant	-	35,473	35,473	-
Local Law	4,461	245	606	4,100
Ordinance Violation	60	-	-	60
Payroll	2,909	278,742	281,651	-
Wastewater Operating	142,437	254,805	271,667	125,575
Wastewater Utility-Bond and Interest	-	54,080	54,080	-
Wastewater Utility-Debt Service Reserve	54,107	-	-	54,107
Wastewater Depreciation	123,955	44,145	12,410	155,690
Wastewater Construction	-	97,659	97,659	-
Wastewater Customer Deposit	15,821	3,675	2,542	16,954
Water Phoenix Retainer	-	23,242	2,105	21,137
Water Operating	126,333	289,198	284,141	131,390
Water - Bond and Interest	-	54,130	54,130	-
Water - Debt Service Reserve	-	9,279	-	9,279
Water Depreciation	127,397	47,366	22,701	152,062
Water Construction	-	3,345,538	3,345,538	-
Water Consumer Deposit	15,810	3,600	2,570	16,840
Totals	<u>\$ 1,103,839</u>	<u>\$ 4,890,299</u>	<u>\$ 4,736,984</u>	<u>\$ 1,257,154</u>

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

TOWN OF WALTON  
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 statements present the financial information for the Town.

*B. Basis of Accounting*

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

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

*C. Cash and Investments*

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

*D. Receipts*

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

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

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

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

TOWN OF WALTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

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

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

Penalties which include fees received for late payments.

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

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may 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 WALTON  
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 WALTON  
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 statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement any replacement items purchased.

**Note 6. *State Revolving Fund Loans and Grants***

The Town was awarded a \$766,445 loan and a \$770,000 grant for its wastewater utility project. It was also awarded a \$752,474 loan and a \$2,889,000 grant for its water utility project. All of these loans and grants were funded through federal programs administered by the Indiana Finance Authority. As of December 31, 2011, the water utility project still had \$295,936 in available loan funds, all other funds had been exhausted at that point.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 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 statements 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 WALTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 114,553	\$ 171,584	\$ 28,167	\$ 26,429	\$ 6,636	\$ 7,109
Receipts:						
Taxes	133,382	-	-	-	2,791	-
Licenses and permits	407	-	-	-	-	-
Intergovernmental	69,565	38,983	4,220	6,690	480	2,862
Charges for services	177	-	-	-	250	-
Utility fees	-	-	-	-	-	-
Other receipts	4,351	2,997	460	-	351	1,363
Total receipts	<u>207,882</u>	<u>41,980</u>	<u>4,680</u>	<u>6,690</u>	<u>3,872</u>	<u>4,225</u>
Disbursements:						
Personal services	121,294	14,124	-	-	68	-
Supplies	7,642	2,164	1,704	-	-	-
Other services and charges	93,110	5,829	-	4,250	4,160	165
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	1,599	781	2,246	-	125	2,607
Total disbursements	<u>223,645</u>	<u>22,898</u>	<u>3,950</u>	<u>4,250</u>	<u>4,353</u>	<u>2,772</u>
Excess (deficiency) of receipts over disbursements	<u>(15,763)</u>	<u>19,082</u>	<u>730</u>	<u>2,440</u>	<u>(481)</u>	<u>1,453</u>
Cash and investments - ending	<u>\$ 98,790</u>	<u>\$ 190,666</u>	<u>\$ 28,897</u>	<u>\$ 28,869</u>	<u>\$ 6,155</u>	<u>\$ 8,562</u>

TOWN OF WALTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Levy Excess	Local Law	Ordinance Violation	Cumulative Capl Imprv Cigarette Tax	Cedit Capital Projects	Energy Grant
Cash and investments - beginning	\$ -	\$ 4,290	\$ 60	\$ 50,574	\$ 127,291	\$ -
Receipts:						
Taxes	374	-	-	-	-	-
Licenses and permits	-	100	-	-	-	-
Intergovernmental	-	-	-	2,038	24,556	76,581
Charges for services	-	71	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	267	527	-
Total receipts	<u>374</u>	<u>171</u>	<u>-</u>	<u>2,305</u>	<u>25,083</u>	<u>76,581</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	1,320	-
Debt service - principal and interest	-	-	-	-	-	76,581
Capital outlay	-	-	-	-	10,000	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	65,697	-
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,017</u>	<u>76,581</u>
Excess (deficiency) of receipts over disbursements	<u>374</u>	<u>171</u>	<u>-</u>	<u>2,305</u>	<u>(51,934)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 374</u>	<u>\$ 4,461</u>	<u>\$ 60</u>	<u>\$ 52,879</u>	<u>\$ 75,357</u>	<u>\$ -</u>

TOWN OF WALTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Payroll	Wastewater Operating	Wastewater Bond And Interest	Wastewater Debt Service Reserve	Wastewater Depreciation	Wastewater Customer Deposit
Cash and investments - beginning	\$ -	\$ 145,202	\$ -	\$ 54,107	\$ 124,934	\$ 14,313
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	-	258,022	-	-	-	-
Other receipts	205,476	11,303	55,942	-	87,648	3,525
Total receipts	<u>205,476</u>	<u>269,325</u>	<u>55,942</u>	<u>-</u>	<u>87,648</u>	<u>3,525</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Debt service - principal and interest	-	-	55,942	-	-	-
Capital outlay	-	-	-	-	14,230	-
Utility operating expenses	-	150,743	-	-	-	2,017
Other disbursements	202,567	121,347	-	-	74,397	-
Total disbursements	<u>202,567</u>	<u>272,090</u>	<u>55,942</u>	<u>-</u>	<u>88,627</u>	<u>2,017</u>
Excess (deficiency) of receipts over disbursements	<u>2,909</u>	<u>(2,765)</u>	<u>-</u>	<u>-</u>	<u>(979)</u>	<u>1,508</u>
Cash and investments - ending	<u>\$ 2,909</u>	<u>\$ 142,437</u>	<u>\$ -</u>	<u>\$ 54,107</u>	<u>\$ 123,955</u>	<u>\$ 15,821</u>

TOWN OF WALTON  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Construction	Wastewater Construction Retainage	Water Operating	Water Depreciation	Water Consumer Deposit	Totals
Cash and investments - beginning	\$ -	\$ 43,505	\$ 51,057	\$ 124,384	\$ 14,294	\$ 1,108,489
Receipts:						
Taxes	-	-	-	-	-	136,547
Licenses and permits	-	-	-	-	-	507
Intergovernmental	818,257	-	-	-	-	1,044,232
Charges for services	-	-	-	-	-	498
Utility fees	-	-	259,467	-	-	517,489
Other receipts	-	17,208	23,891	34,928	3,375	453,612
Total receipts	<u>818,257</u>	<u>17,208</u>	<u>283,358</u>	<u>34,928</u>	<u>3,375</u>	<u>2,152,885</u>
Disbursements:						
Personal services	-	-	-	-	-	135,486
Supplies	-	-	-	-	-	11,510
Other services and charges	-	-	-	-	-	108,834
Debt service - principal and interest	-	-	-	-	-	132,523
Capital outlay	818,257	60,713	-	31,915	-	935,115
Utility operating expenses	-	-	136,884	-	1,859	291,503
Other disbursements	-	-	71,198	-	-	542,564
Total disbursements	<u>818,257</u>	<u>60,713</u>	<u>208,082</u>	<u>31,915</u>	<u>1,859</u>	<u>2,157,535</u>
Excess (deficiency) of receipts over disbursements	<u>-</u>	<u>(43,505)</u>	<u>75,276</u>	<u>3,013</u>	<u>1,516</u>	<u>(4,650)</u>
Cash and investments - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 126,333</u>	<u>\$ 127,397</u>	<u>\$ 15,810</u>	<u>\$ 1,103,839</u>

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

	General	Motor Vehicle Highway	Local Road And Street	Riverboat	Parks And Recreation	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 98,790	\$ 190,666	\$ 28,897	\$ 28,869	\$ 6,155	\$ 8,562	\$ 374
Receipts:							
Taxes	182,028	-	-	-	3,981	-	-
Licenses and permits	240	-	-	-	-	-	-
Intergovernmental	28,225	37,647	4,086	-	664	-	-
Charges for services	700	-	-	-	685	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	5,160	450	528	-	12	-	-
Total receipts	<u>216,353</u>	<u>38,097</u>	<u>4,614</u>	<u>-</u>	<u>5,342</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	115,506	11,000	-	-	-	-	-
Supplies	2,921	904	673	-	1,663	-	-
Other services and charges	88,641	4,678	-	3,000	3,797	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	400	-	-	-	-	302	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	883	-	-	-	125	-	374
Total disbursements	<u>208,351</u>	<u>16,582</u>	<u>673</u>	<u>3,000</u>	<u>5,585</u>	<u>302</u>	<u>374</u>
Excess (deficiency) of receipts over disbursements	<u>8,002</u>	<u>21,515</u>	<u>3,941</u>	<u>(3,000)</u>	<u>(243)</u>	<u>(302)</u>	<u>(374)</u>
Cash and investments - ending	<u>\$ 106,792</u>	<u>\$ 212,181</u>	<u>\$ 32,838</u>	<u>\$ 25,869</u>	<u>\$ 5,912</u>	<u>\$ 8,260</u>	<u>\$ -</u>

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

	Cumulative Capl Imprv Cigarette Tax	Cedit Capital Projects	LOIT	Energy Grant	Local Law	Ordinance Violation	Payroll
Cash and investments - beginning	\$ 52,879	\$ 75,357	\$ -	\$ -	\$ 4,461	\$ 60	\$ 2,909
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	160	-	-
Intergovernmental	3,070	66,556	10,817	35,473	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	188	4,085	-	-	85	-	278,742
Total receipts	3,258	70,641	10,817	35,473	245	-	278,742
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	58	-	-
Other services and charges	-	1,320	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	5,687	27,837	-	-	548	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	35,473	-	-	281,651
Total disbursements	5,687	29,157	-	35,473	606	-	281,651
Excess (deficiency) of receipts over disbursements	(2,429)	41,484	10,817	-	(361)	-	(2,909)
Cash and investments - ending	\$ 50,450	\$ 116,841	\$ 10,817	\$ -	\$ 4,100	\$ 60	\$ -

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

	Wastewater Operating	Wastewater Bond and Interest	Wastewater Debt Service Reserve	Wastewater Depreciation	Wastewater Construction	Wastewater Customer Deposit	Water Phoenix Retainer
Cash and investments - beginning	\$ 142,437	\$ -	\$ 54,107	\$ 123,955	\$ -	\$ 15,821	\$ -
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	16,413	97,659	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	248,028	-	-	-	-	-	-
Other receipts	6,777	54,080	-	27,732	-	3,675	23,242
Total receipts	<u>254,805</u>	<u>54,080</u>	<u>-</u>	<u>44,145</u>	<u>97,659</u>	<u>3,675</u>	<u>23,242</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	54,080	-	-	-	-	-
Capital outlay	-	-	-	12,410	97,659	-	-
Utility operating expenses	189,951	-	-	-	-	-	-
Other disbursements	81,716	-	-	-	-	2,542	2,105
Total disbursements	<u>271,667</u>	<u>54,080</u>	<u>-</u>	<u>12,410</u>	<u>97,659</u>	<u>2,542</u>	<u>2,105</u>
Excess (deficiency) of receipts over disbursements	<u>(16,862)</u>	<u>-</u>	<u>-</u>	<u>31,735</u>	<u>-</u>	<u>1,133</u>	<u>21,137</u>
Cash and investments - ending	<u>\$ 125,575</u>	<u>\$ -</u>	<u>\$ 54,107</u>	<u>\$ 155,690</u>	<u>\$ -</u>	<u>\$ 16,954</u>	<u>\$ 21,137</u>

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

	Water Operating	Water Bond and Interest	Water Debt Service Reserve	Water Depreciation	Water Construction	Water Consumer Deposit	Totals
Cash and investments - beginning	\$ 126,333	\$ -	\$ -	\$ 127,397	\$ -	\$ 15,810	\$ 1,103,839
Receipts:							
Taxes	-	-	-	-	-	-	186,009
Licenses and permits	-	-	-	-	-	-	400
Intergovernmental	-	-	-	-	3,345,538	-	3,646,148
Charges for services	-	-	-	-	-	-	1,385
Utility fees	269,347	-	-	-	-	-	517,375
Other receipts	19,851	54,130	9,279	47,366	-	3,600	538,982
Total receipts	<u>289,198</u>	<u>54,130</u>	<u>9,279</u>	<u>47,366</u>	<u>3,345,538</u>	<u>3,600</u>	<u>4,890,299</u>
Disbursements:							
Personal services	-	-	-	-	-	-	126,506
Supplies	-	-	-	-	-	-	6,219
Other services and charges	-	-	-	-	-	-	101,436
Debt service - principal and interest	-	54,130	-	-	-	-	108,210
Capital outlay	-	-	-	13,395	3,345,538	-	3,503,776
Utility operating expenses	180,517	-	-	9,306	-	-	379,774
Other disbursements	103,624	-	-	-	-	2,570	511,063
Total disbursements	<u>284,141</u>	<u>54,130</u>	<u>-</u>	<u>22,701</u>	<u>3,345,538</u>	<u>2,570</u>	<u>4,736,984</u>
Excess (deficiency) of receipts over disbursements	<u>5,057</u>	<u>-</u>	<u>9,279</u>	<u>24,665</u>	<u>-</u>	<u>1,030</u>	<u>153,315</u>
Cash and investments - ending	<u>\$ 131,390</u>	<u>\$ -</u>	<u>\$ 9,279</u>	<u>\$ 152,062</u>	<u>\$ -</u>	<u>\$ 16,840</u>	<u>\$ 1,257,154</u>

TOWN OF WALTON  
 SCHEDULE OF PAYABLES AND RECEIVABLES  
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 1,502	\$ -
Wastewater	3,680	1,656
Water	2,906	2,651
Totals	\$ 8,088	\$ 4,307

TOWN OF WALTON  
SCHEDULE OF LEASES AND DEBT  
December 31, 2011

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities: PNC Equipment Finance	2008 International Dump Truck	\$ 15,482	04-15-08	04-15-12
Total of annual lease payments		<u>\$ 15,482</u>		

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Sewage Plant Project	\$ 738,445	\$ 53,483
Water: Revenue bonds	Tower & Waterlines Project	431,538	44,851
Totals		<u>\$ 1,169,983</u>	<u>\$ 98,334</u>

TOWN OF WALTON  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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

	Ending Balance
Governmental activities:	
Land	\$ 24,758
Infrastructure	1,691,800
Buildings	257,718
Improvements other than buildings	83,363
Machinery, equipment and vehicles	240,252
Total governmental activities	2,297,891
Wastewater:	
Land	5,406
Infrastructure	1,400
Buildings	63,655
Improvements other than buildings	3,373,684
Machinery, equipment and vehicles	201,565
Total Wastewater	3,645,710
Water:	
Land	7,001
Infrastructure	2,923,359
Buildings	447,947
Improvements other than buildings	682,397
Machinery, equipment and vehicles	80,536
Total Water	4,141,240
Total capital assets	\$ 10,084,841

TOWN OF WALTON  
AUDIT RESULTS AND COMMENTS

***ANNUAL REPORT***

An annual report for 2010 and 2011 was presented for audit, but did not contain all financial activity of the Town. The Energy Grant Fund and the Wastewater Construction and Debt Service Reserve Funds for 2010 and the Wastewater Bond and Interest, Construction and Debt Service Reserve Funds, as well as the Water Bond and Interest, Construction and Debt Service Reserve Funds for 2011 were omitted from the original filing of the annual report.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

***PRESCRIBED FORMS***

The following prescribed or approved forms were not always in use: General Form 350, Register of Investments.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***CUSTOMER DEPOSIT REGISTER***

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal. The difference as of April 30, 2012, for the Wastewater Utility was \$833.36 and the Water Utility was off \$406.75.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***ORDINANCES AND RESOLUTIONS***

The Town of Walton has an ordinance concerning its rates and charges for its wastewater utility. The ordinance establishes the rate to be charged for each size meter. The Utility did not charge the proper rate for the one 4 inch meter it has in service.

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

TOWN OF WALTON  
AUDIT RESULTS AND COMMENTS  
(Continued)

**INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING**

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

1. Lack of Segregation of Duties: Control activities should be selected and developed at various levels of the Town to reduce risks to the achievement of financial reporting objectives. The Town has not separated incompatible activities related to receipts, utility billings and collections, disbursements, payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to go undetected.
2. Reporting of State Revolving Loan Funds: A deficiency exists with the handling of the State Revolving Loan Funds (SRF). Several bank accounts are maintained for accounting of funds for construction and debt repayment related to SRF money received for construction projects related to the Town's Water and Wastewater Utilities. The activity of these funds is not accounted for on the Town's records. These bank accounts are not reconciled by the Town. By the lack of oversight over these funds, the Town could allow fraud or errors to occur in this fund.

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

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

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**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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Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF WALTON, CASS COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Walton (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2010 and 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in internal control over compliance 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 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

June 27, 2012

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF WALTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. Environmental Protection Agency</u>				
Pass-Through Indiana Finance Authority				
Capitalization Grants for Clean Water State Revolving Funds	66.458			
Wastewater Improvements Project		WW08040901	\$ 195,667	\$ 36,258
Water Improvements Project - Bond Anticipation Note		DW10040901	-	2,889,000
Water Improvements Project		DW10040901	-	218,134
Total for program			<u>195,667</u>	<u>3,143,392</u>
Pass-Through Indiana Finance Authority				
ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.458			
ARRA - Wastewater Improvements Project		WW08040901	<u>283,363</u>	<u>-</u>
Total for federal grantor agency			<u>479,030</u>	<u>3,143,392</u>
<u>U.S. Department of Energy</u>				
Pass-Through Indiana Lieutenant Governor's Office - Office of Energy Development				
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG) 038-ARRA-EECBGX	81.128			
		EECBG2/3-008	<u>133,960</u>	<u>35,473</u>
Total federal awards expended			<u>\$ 612,990</u>	<u>\$ 3,178,865</u>

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

TOWN OF WALTON  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

***Basis of Presentation***

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Walton and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. 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 WALTON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Section I – Summary of Auditor's Results**

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee?	no
--	----

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

***Section II – Financial Statement Findings***

***FINDING 2011-1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

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

Reporting of State Revolving Loan Funds: A deficiency exists with the handling of the State Revolving Loan Funds (SRF). Several bank accounts are maintained for accounting of funds for construction and debt repayment related to SRF money received for construction projects related to the Town's Water and Wastewater Utilities. The activity of these funds is not accounted for on the Town's records. These bank accounts are not reconciled by the Town. By the lack of oversight over these funds, the Town could allow fraud or errors to occur in this fund.

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

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

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

No matters are reportable.

TOWN OF WALTON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



# TOWN OF WALTON

100 S. Depot St.  
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## FEDERAL FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The management of the Town of Walton has reviewed the Financial Statement Findings related to their audit for the years 2010 and 2011 and we offer the following corrective actions.

**Lack of Segregation of Duties** – The Clerk Treasurer’s Office will review their office procedures and attempt to assign duties such that there will be as much segregation of incompatible activities as is practical. In addition, the employees will cross perform certain duties particularly when an employee is on vacation. However, the town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure.

Management acknowledges and assumes the risks inherent with the current design of their business office.

**Lack of SRF/Water Construction Financial Reporting** - The Clerk-Treasurer will establish a ledger page to account for the SRF funds for the water line and water tower project. This Water Construction Fund will also be added to the Town Financial Report, beginning January 2012.

Sincerely,

Kim L. Craig  
Clerk-Treasurer

Date Signed: 6/27/12

TOWN OF WALTON  
EXIT CONFERENCE

The contents of this report were discussed on June 27, 2012, with Mike Robison, President of the Town Council; and Kim Craig, Clerk-Treasurer. The officials concurred with our audit findings.