B42383

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF VEVAY
SWITZERLAND COUNTY, INDIANA

January 1, 2011 to December 31, 2012

FILED
07/16/2013

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SCHEDULE OF OFFICIALS

Office	Official	Term
Clerk-Treasurer	Donna Graham	01-01-08 to 12-31-15
President of the Town Council	Tye Sullivan	01-01-11 to 12-31-11
	James Hayes	01-01-12 to 03-31-13
	Joshua South	04-01-13 to 12-31-13
Superintendent of Utilities	Terry Brindley	01-01-11 to 12-31-13

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF VEVAY, SWITZERLAND COUNTY, INDIANA

Report on the Financial Statement

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

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2013, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Accompanying Information

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other reports 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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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.

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 and Schedule of Payables and Receivables, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statement. They have not been subjected to the auditing procedures applied by us in the audit of the financial statement and, accordingly, we express no opinion on them.

Bruce Hartman
State Examiner

May 21, 2013

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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 VEVAY, SWITZERLAND 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 Vevay (Town), which comprises the financial position and results of operations for the period of January 1, 2011 to December 31, 2012, and the related notes to the financial statement, and have issued our report thereon dated May 21, 2013, wherein we noted the Town followed accounting practices the Indiana State Board of Accounts prescribes rather than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as item 2012-1 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 determination of financial statement amounts. However, providing an opinion on compliance with those

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)

provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Town of Vevay's Response to Findings

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

Purpose of This Report

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

Bruce Hartman
State Examiner

May 21, 2013

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FINANCIAL STATEMENT

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

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

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11	Receipts	Disbursements	Cash and Investments 12-31-12
GENERAL	$ 174,945	$ 494,786	$ 522,021	$ 147,710	$ 508,735	$ 518,975	$ 137,470
MVH	(5,956)	52,619	51,166	(4,503)	52,051	34,971	12,577
ROAD AND STREET	(955)	5,517	-	4,562	5,203	5,000	4,765
LECE	1,309	2,183	1,397	2,095	1,025	-	3,120
PARK & RECREATION	(8,812)	31,462	22,650	-	225	-	225
TRASH	(9,545)	103,961	94,056	360	105,054	103,170	2,244
LEVY EXCESS FUND	1,007	-	-	1,007	-	1,007	-
CCIF	23,263	4,982	4,563	23,682	4,464	25,000	3,146
POLICE	554	126,505	53,807	73,252	66,829	111,913	28,168
NINE WEST BUILDING	460,974	4,400	-	465,374	-	-	465,374
PARK DONATION	11,378	34,237	45,168	447	18,105	7,629	10,923
ANIMAL SHELTER	127	1,727	1,664	190	75	100	165
RIVERBOAT REVENUE SHARING	4,887	-	-	4,887	-	-	4,887
PERPETUAL MAINTENANCE	258,110	3,151	-	261,261	4,249	-	265,510
CEMETERY DONATION	2,985	75	-	3,060	-	-	3,060
GAMING FUND	822,056	860,405	877,352	805,109	806,320	893,037	718,392
STORM SEWER GRANT	-	1,097,922	1,041,846	56,076	161,729	169,012	48,793
CEMETERY	(14,785)	48,647	17,036	16,826	62,345	44,514	34,657
PAYROLL	-	397,662	397,662	-	415,858	415,858	-
PAYROLL-FEDERAL W/H	-	49,770	49,770	-	54,800	54,800	-
PAYROLL-FICA	-	52,254	52,254	-	56,242	56,242	-
PAYROLL-MEDICARE	-	14,574	14,574	-	15,681	15,681	-
PAYROLL-STATE W/H	-	17,264	17,264	-	18,204	18,204	-
PAYROLL-COIT	-	4,784	4,784	-	5,218	5,218	-
PAYROLL-INSURANCE 1	-	1,682	1,682	-	2,010	2,010	-
PAYROLL-INSURANCE 2	-	4,431	4,431	-	4,417	4,417	-
PAYROLL-RETIREMENT	-	11,158	11,158	-	9,816	9,816	-
PAYROLL-MISC. EXPENSE	-	-	-	-	12	12	-
HEALTH SAVINGS ACCOUNT	-	12,242	12,242	-	7,211	7,211	-
MEDICAL INSURANCE SHARE	-	-	-	-	8,481	7,889	592
WASTEWATER RESERVE	39,606	-	-	39,606	-	-	39,606
SEWAGE OPERATING	77,524	269,651	263,730	83,445	278,096	301,375	60,166
SEWAGE UTL CONST IN PRO	7,573	-	-	7,573	-	-	7,573
SEWAGE DEPOSIT	9,322	240	-	9,562	300	80	9,782
UTILITIES CLEARING	-	-	-	-	345,787	342,432	3,355
WATER OPERATING	36,448	186,825	189,468	33,805	182,141	180,336	35,610
WATER DEPRECIATION	2,224	-	-	2,224	-	-	2,224
WATER METER DEPOSIT	17,106	299	-	17,405	375	100	17,680
STORM SEWER-NONRVT-CAP	75,039	8,717	75,000	8,756	8,742	-	17,498
STORMWATER PROJECT RETAINAGE	-	33,953	-	33,953	15,557	49,510	-
Totals	$ 1,986,384	$ 3,938,085	$ 3,826,745	$ 2,097,724	$ 3,225,357	$ 3,385,519	$ 1,937,562

The notes to the financial statement is an integral part of this 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, culture and recreation, public improvements, general administrative services, water, wastewater, storm water, trash.

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

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

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

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

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

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

E. Disbursements

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

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

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

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

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

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

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

F. Interfund Transfers

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

G. Fund Accounting

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

Note 2. Budgets

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

Note 3. Property Taxes

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

Note 4. Deposits and Investments

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

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

Note 5. Risk Management

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

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

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report information can be found on the Gateway website: https://gateway.ifionline.org/.

Differences may be noted between the financial information presented in the financial statement contained in this report and the financial information presented in the Annual 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 VEVAY
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2011

	GENERAL	MVH	ROAD AND STREET	LECE	PARK & RECREATION	TRASH	LEVY EXCESS FUND	CCIF	POLICE
Cash and investments - beginning	174,945	(5,956)	(955)	1,309	(8,812)	(9,545)	1,007	23,263	554
Receipts:									
Taxes	287,754	6,868	-	-	7,834	-	-	-	-
Licenses and permits	-	-	-	280	-	-	-	-	-
Intergovernmental	151,996	45,751	5,517	-	632	-	-	4,982	-
Charges for services	-	-	-	1,903	22,996	101,840	-	-	-
Fines and forfeits	9,551	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	45,485	-	-	-	-	2,121	-	-	126,505
Total receipts	494,786	52,619	5,517	2,183	31,462	103,961	-	4,982	126,505
Disbursements:									
Personal services	398,178	41,135	-	-	15,461	-	-	-	-
Supplies	26,672	10,031	-	-	5,243	-	-	-	30,797
Other services and charges	97,171	-	-	1,397	1,946	-	-	4,563	23,010
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	94,056	-	-	-
Total disbursements	522,021	51,166	-	1,397	22,650	94,056	-	4,563	53,807
Excess (deficiency) of receipts over disbursements	(27,235)	1,453	5,517	786	8,812	9,905	-	419	72,698
Cash and investments - ending	$ 147,710	$ (4,503)	$ 4,562	$ 2,095	$ -	$ 360	$ 1,007	$ 23,682	$ 73,252

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

	NINE WEST BUILDING	PARK DONATION	ANIMAL SHELTER	RIVERBOAT REVENUE SHARING	PERPETUAL MAINTENANCE	CEMETERY DONATION	GAMING FUND	STORM SEWER GRANT
Cash and investments - beginning	460,974	11,378	127	4,887	258,110	2,985	822,056	-
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	858,046	-
Charges for services	-	-	-	-	3,151	-	-	-
Fines and forfeits	-	-	1,727	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	4,400	34,237	-	-	-	75	2,359	1,097,922
Total receipts	4,400	34,237	1,727	-	3,151	75	860,405	1,097,922
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	1,664	-	-	-	-	-
Other services and charges	-	45,168	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	1,041,846
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	877,352	-
Total disbursements	-	45,168	1,664	-	-	-	877,352	1,041,846
Excess (deficiency) of receipts over disbursements	4,400	(10,931)	63	-	3,151	75	(16,947)	56,076
Cash and investments - ending	$ 465,374	$ 447	$ 190	$ 4,887	$ 261,261	$ 3,060	$ 805,109	$ 56,076

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

	CEMETERY	PAYROLL	PAYROLL-FEDERAL W/H	PAYROLL-FICA	PAYROLL-MEDICARE	PAYROLL-STATE W/H	PAYROLL-COIT	PAYROLL-INSURANCE 1
Cash and investments - beginning	(14,785)	-	-	-	-	-	-	-
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	46,296	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	2,351	397,662	49,770	52,254	14,574	17,264	4,784	1,682
Total receipts	48,647	397,662	49,770	52,254	14,574	17,264	4,784	1,682
Disbursements:								
Personal services	9,536	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	4,056	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	3,444	397,662	49,770	52,254	14,574	17,264	4,784	1,682
Total disbursements	17,036	397,662	49,770	52,254	14,574	17,264	4,784	1,682
Excess (deficiency) of receipts over disbursements	31,611	-	-	-	-	-	-	-
Cash and investments - ending	$ 16,826	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

	PAYROLL-INSURANCE 2	PAYROLL-RETIREMENT	PAYROLL-MISC. EXPENSE	HEALTH SAVINGS ACCOUNT	MEDICAL INSURANCE SHARE	WASTEWATER RESERVE	SEWAGE OPERATING	SEWAGE UTL CONST IN PRO
Cash and investments - beginning	-	-	-	-	-	39,606	77,524	7,573
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	263,508	-
Other receipts	4,431	11,158	-	12,242	-	-	6,143	-
Total receipts	4,431	11,158	-	12,242	-	-	269,651	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	263,730	-
Other disbursements	4,431	11,158	-	12,242	-	-	-	-
Total disbursements	4,431	11,158	-	12,242	-	-	263,730	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	-	-	5,921	-
Cash and investments - ending	$ -	$ -	$ -	$ -	$ -	$ 39,606	$ 83,445	$ 7,573

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

	SEWAGE DEPOSIT	UTILITIES CLEARING	WATER OPERATING	WATER DEPRECIATION	WATER METER DEPOSIT	STORM SEWER-NONRVT-CAP	STORMWATER PROJECT RETAINAGE	Totals
Cash and investments - beginning	9,322	-	36,448	2,224	17,106	75,039	-	1,986,384
Receipts:								
Taxes	-	-	-	-	-	-	-	302,456
Licenses and permits	-	-	-	-	-	-	-	280
Intergovernmental	-	-	-	-	-	-	-	1,066,924
Charges for services	-	-	-	-	-	-	-	176,186
Fines and forfeits	-	-	-	-	-	-	-	11,278
Utility fees	-	-	184,786	-	299	7,282	-	455,875
Other receipts	240	-	2,039	-	-	1,435	33,953	1,925,086
Total receipts	240	-	186,825	-	299	8,717	33,953	3,938,085
Disbursements:								
Personal services	-	-	-	-	-	-	-	464,310
Supplies	-	-	-	-	-	-	-	74,407
Other services and charges	-	-	-	-	-	-	-	173,255
Capital outlay	-	-	-	-	-	-	-	1,045,902
Utility operating expenses	-	-	175,988	-	-	-	-	439,718
Other disbursements	-	-	13,480	-	-	75,000	-	1,629,153
Total disbursements	-	-	189,468	-	-	75,000	-	3,826,745
Excess (deficiency) of receipts over disbursements	240	-	(2,643)	-	299	(66,283)	33,953	111,340
Cash and investments - ending	$ 9,562	$ -	$ 33,805	$ 2,224	$ 17,405	$ 8,756	$ 33,953	$ 2,097,724

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

	GENERAL	MVH	ROAD AND STREET	LECE	PARK & RECREATION	TRASH	LEVY EXCESS FUND	CCIF	POLICE
Cash and investments - beginning	$ 147,710	$ (4,503)	$ 4,562	$ 2,095	$ -	$ 360	$ 1,007	$ 23,682	$ 73,252
Receipts:									
Taxes	278,714	7,851	-	-	-	-	-	-	-
Licenses and permits	-	-	-	600	-	-	-	-	-
Intergovernmental	169,507	44,200	5,203	-	-	-	-	4,464	-
Charges for services	2,533	-	-	425	225	102,933	-	-	-
Utility fees	-	-	-	-	-	-	-	-	-
Other receipts	57,981	-	-	-	-	2,121	-	-	66,829
Total receipts	508,735	52,051	5,203	1,025	225	105,054	-	4,464	66,829
Disbursements:									
Personal services	402,238	30,425	-	-	-	-	-	-	-
Supplies	25,226	4,546	5,000	-	-	-	-	-	111,913
Other services and charges	91,511	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	103,170	1,007	25,000	-
Total disbursements	518,975	34,971	5,000	-	-	103,170	1,007	25,000	111,913
Excess (deficiency) of receipts over disbursements	(10,240)	17,080	203	1,025	225	1,884	(1,007)	(20,536)	(45,084)
Cash and investments - ending	$ 137,470	$ 12,577	$ 4,765	$ 3,120	$ 225	$ 2,244	$ -	$ 3,146	$ 28,168

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

	NINE WEST BUILDING	PARK DONATION	ANIMAL SHELTER	RIVERBOAT REVENUE SHARING	PERPETUAL MAINTENANCE	CEMETERY DONATION	GAMING FUND	STORM SEWER GRANT
Cash and investments - beginning	$ 465,374	$ 447	$ 190	$ 4,887	$ 261,261	$ 3,060	$ 805,109	$ 56,076
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	805,956	-
Charges for services	-	-	-	-	4,249	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	-	18,105	75	-	-	-	364	161,729
Total receipts	-	18,105	75	-	4,249	-	806,320	161,729
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	100	-	-	-	-	-
Other services and charges	-	7,629	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	169,012
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	893,037	-
Total disbursements	-	7,629	100	-	-	-	893,037	169,012
Excess (deficiency) of receipts over disbursements	-	10,476	(25)	-	4,249	-	(86,717)	(7,283)
Cash and investments - ending	$ 465,374	$ 10,923	$ 165	$ 4,887	$ 265,510	$ 3,060	$ 718,392	$ 48,793

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

	CEMETERY	PAYROLL	PAYROLL-FEDERAL W/H	PAYROLL-FICA	PAYROLL-MEDICARE	PAYROLL-STATE W/H	PAYROLL-COIT	PAYROLL-INSURANCE 1
Cash and investments - beginning	$ 16,826	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	62,329	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	16	415,858	54,800	56,242	15,681	18,204	5,218	2,010
Total receipts	62,345	415,858	54,800	56,242	15,681	18,204	5,218	2,010
Disbursements:								
Personal services	33,623	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	1,140	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	9,751	415,858	54,800	56,242	15,681	18,204	5,218	2,010
Total disbursements	44,514	415,858	54,800	56,242	15,681	18,204	5,218	2,010
Excess (deficiency) of receipts over disbursements	17,831	-	-	-	-	-	-	-
Cash and investments - ending	$ 34,657	$ -	$ -	$ -	$ -	$ -	$ -	$ -

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

	PAYROLL-INSURANCE 2	PAYROLL-RETIREMENT	PAYROLL-MISC. EXPENSE	HEALTH SAVINGS ACCOUNT	MEDICAL INSURANCE SHARE	WASTEWATER RESERVE	SEWAGE OPERATING	SEWAGE UTL CONST IN PRO
Cash and investments - beginning	$ -	$ -	$ -	$ -	$ -	$ 39,606	$ 83,445	$ 7,573
Receipts:								
Taxes	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	272,927	-
Other receipts	4,417	9,816	12	7,211	8,481	-	5,169	-
Total receipts	4,417	9,816	12	7,211	8,481	-	278,096	-
Disbursements:								
Personal services	-	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	669	-
Utility operating expenses	-	-	-	-	-	-	300,706	-
Other disbursements	4,417	9,816	12	7,211	7,889	-	-	-
Total disbursements	4,417	9,816	12	7,211	7,889	-	301,375	-
Excess (deficiency) of receipts over disbursements	-	-	-	-	592	-	(23,279)	-
Cash and investments - ending	$ -	$ -	$ -	$ -	$ 592	$ 39,606	$ 60,166	$ 7,573

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

	SEWAGE DEPOSIT	UTILITIES CLEARING	WATER OPERATING	WATER DEPRECIATION	WATER METER DEPOSIT	STORM SEWER-NONRVT-CAP	STORMWATER PROJECT RETAINAGE	Totals
Cash and investments - beginning	$ 9,562	$ -	$ 33,805	$ 2,224	$ 17,405	$ 8,756	$ 33,953	$ 2,097,724
Receipts:								
Taxes	-	-	-	-	-	-	-	286,565
Licenses and permits	-	-	-	-	-	-	-	600
Intergovernmental	-	-	-	-	-	-	-	1,029,330
Charges for services	-	-	-	-	-	-	-	172,694
Utility fees	-	345,787	180,265	-	375	8,742	-	808,096
Other receipts	300	-	1,876	-	-	-	15,557	928,072
Total receipts	300	345,787	182,141	-	375	8,742	15,557	3,225,357
Disbursements:								
Personal services	-	-	-	-	-	-	-	466,286
Supplies	-	-	-	-	-	-	-	146,785
Other services and charges	-	-	-	-	-	-	-	99,140
Capital outlay	-	-	-	-	-	-	-	170,821
Utility operating expenses	-	342,432	164,588	-	-	-	-	807,726
Other disbursements	80	-	15,748	-	100	-	49,510	1,694,761
Total disbursements	80	342,432	180,336	-	100	-	49,510	3,385,519
Excess (deficiency) of receipts over disbursements	220	3,355	1,805	-	275	8,742	(33,953)	(160,162)
Cash and investments - ending	$ 9,782	$ 3,355	$ 35,610	$ 2,224	$ 17,680	$ 17,498	$ -	$ 1,937,562

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

Government or Enterprise	Accounts Payable	Accounts Receivable
Wastewater	$ 440	$ 20,004
Water	751	6,966
Storm Sewer	-	315
Totals	$ 1,191	$ 27,285

INTERNAL CONTROLS (Applies to Clerk-Treasurer and Town Council)

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

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

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)

APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2011	$ 69,929
Park & Recreation	2011	9,907
General	2012	29,188
Cemetery	2012	2,817

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

The Town expended $872,697 and $849,039 in the years 2011 and 2012, respectively, from the Riverboat without annual appropriation being approved by the Town Council.

Indiana Code 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

A similar comment was made in prior Reports B28601, B33719, and B38094.

CLAIMS (Applies to Clerk-Treasurer)

Of the claims tested, 43 percent ($313,501.11 in expenditures) did not have evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6(c) states in part: "(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: . . . (2) the invoice or bill is approved by the officer or person receiving the goods and services."

PAYROLL (Applies to Clerk-Treasurer and Town Council)

During our review of payroll we noted the following:

1. The Clerk-Treasurer's office does not require Town departments to submit a Payroll Schedule and Voucher (Form 99). Form 99 has been prescribed to provide for department head certification as to time worked and leave taken by employees under their supervision.

   Indiana Code 5-11-9-3 states in part: "Certification of said vouchers and accounts shall be made by . . . head of the department . . . filed with the officer authorized by law to audit such accounts and vouchers."

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

2. Street, Park and Utility employees use a time clock to record their hours worked each day. At the end of the payroll period, the Utility Superintendent, who oversees the utility, street and park employees, reviews, and submits the time cards to the Clerk-Treasurer's office. It has been the practice of the Deputy Clerk-Treasurer upon receiving the employee time cards to create a "Bi-Weekly Time Sheet" for each of the employees which she then uses to copy the dates and time worked from the time cards to the Bi-Weekly Time Sheets. Once all information from the time cards is copied to the employee's Bi-Weekly Time Sheets, the Deputy Clerk-Treasurer destroys the time cards.

   Indiana Code 5-15-6-3(f) concerning destruction of public records states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission. . . ."

   Indiana Code 5-15-6-8 states in part:

   "A public official or other person who recklessly, knowingly, or intentionally destroys or damages any public record commits a Class D felony unless:

   (1) the commission shall have given its approval in writing that the public records may be destroyed;

   (2) the commission shall have entered its approval for destruction of the public records on its own minutes; or

   (3) authority for destruction of the records is granted by an approved retention schedule established under this chapter."

3. Each two week pay period, Vicky Allen, Deputy Clerk-Treasurer, is being compensated for eight additional hours for cleaning services at the Town Hall. In reviewing her Bi-weekly Time Sheet (Time Sheet) for these additional hours, no dates and time of day were documented. Vicky Allen stated that she records the regular time worked for the Town on her Time Sheet and then adds eight additional hours to the total hours shown on the Time Sheet. Vicky Allen also stated that she does not have any regular scheduled time to perform the cleaning duties. She tries to clean on Tuesday and Thursday before or after her regular work time for the Town. Donna Graham, Clerk-Treasurer, stated that she did approve Vicky Allen to clean the Town Hall and that the Town Council did approve the bi-weekly eight additional hours but did not specify any certain time to perform the cleaning.

   Indiana Code 5-11-9-4(b) states in part:

   "The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees . . . employed by more than one (1) public agency or in more than one (1) position by the same public agency . . ."

   General Form No. 99A, Employee Service Record, may be used to record the time an employee works in more than one position for a city or town or when the employee also works for another governmental unit. (Cities and Towns Bulletin, September 2012)

4. In the year 2012, the Town started a program to encourage employees to enroll in their spouse's employer provided health insurance plans if the spouse is eligible to be covered by their employer instead of enrolling in the Town's health insurance policy. The Town would compensate the employees the health insurance cost plus the deductible incurred by the employee for being on the spouse's health insurance. The compensation is paid quarterly and processed through the Town's payroll system. Three employees participated in the program and payments to these employees totaled $23,165.70 during the year 2012.

   The program was discussed and approved in the Town Council minutes dated December 14, 2011. However, the Town did not adopt an ordinance or resolution establishing the health insurance buy-out program and did not include this compensation on the salary ordinance for the year 2012.

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

PURCHASE OF GASOLINE (Applies to Clerk-Treasurer)

A review of four credit card claims for the purchase of gasoline totaling $5,510.42 showed that the Clerk-Treasurer paid the credit card claims from a monthly statement. The supporting documentation (in the form of gas pump receipts) was not presented for audit. The Town has authorized the Police Department, Parks/Cemetery Department, and the Utilities to purchase gasoline by using a BP credit card or a Shell credit card. Donna Graham, Clerk-Treasurer, stated that the employees did not retain and remit the gas pump receipt to her so she could match the purchases by the employees with the charges on the credit card statements. The following schedule shows the total gasoline purchases for the years 2011 and 2012:

Credit Card	2011	2012
BP Credit Card	$ 22,661.84	$ 26,133.20
Shell Credit Card	16,120.73	11,933.91
Total Purchases	$ 38,782.57	$ 38,067.11

Indiana Code 5-11-10-1.6(c) states in part: "The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless: (1) there is a fully itemized invoice or bill for the claim . . ."

ANNUAL REPORT (Applies to Clerk-Treasurer)

The annual reports for the years 2011 and 2012 contained a number of errors and did not properly reflect the financial activity of the Town.

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

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

A similar comment was reported in the prior Reports B33719 and B38094.

GIFT CARDS (Applies to Town Council and Clerk-Treasurer)

On December 12, 2011, the Town purchased 20 gift cards at $100 each, totaling $2,000, from CVS Pharmacy. On December 18, 2012, the Town purchased 16 gift cards at $100 each, totaling $1,600, from the Cash Saver Market. The purchases were approved by the Town Council as Christmas gifts to all Town employees. The value of the gift cards was not included in the payroll system or on the salary ordinance or resolution for 2011 or 2012.

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

SUPPLEMENTAL AUDIT OF

FEDERAL AWARDS

STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF VEVAY, SWITZERLAND COUNTY, INDIANA

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A - 133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2. Our opinion on the major federal program is not modified with respect to these matters.

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

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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the type of requirements that could have a direct and material effect on 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.

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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2012-2 that we consider to be significant deficiencies.

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

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

Bruce Hartman
State Examiner

May 21, 2013

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-11	Total Federal Awards Expended 12-31-12
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Pass-Through Lt. Governor				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228			
		A192-11-DR2-09-119	$ 937,922	$ 62,078
Total for cluster			937,922	62,078
Total for federal grantor agency			937,922	62,078
U.S. DEPARTMENT OF JUSTICE				
Direct Grant				
Bulletproof Vest Partnership Program	16.607			
		FY 2011	606	-
		FY 2012	-	680
Total for program			606	680
Total for federal grantor agency			606	680
U.S. DEPARTMENT OF HOMELAND SECURITY				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036			
		DR-1997	8,661	30,623
Total for federal grantor agency			8,661	30,623
Total federal awards expended			$ 947,189	$ 93,381

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

TOWN OF VEVAY
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 Vevay 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 cities and towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF VEVAY
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; Unqualified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	no

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	no
Significant deficiencies identified?	yes
Type of auditor's report issued on compliance for major program:	Unqualified
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
N/A	CDBG – State-Administered CDBG Cluster

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

FINDING 2012 - 1 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

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

Donna Graham, Clerk-Treasurer, stated that the lack of segregation of duties is due to the Clerk-Treasurer's office having a low number of staff members.

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

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

We recommended that the Town implement internal control activities to ensure the achievement of financial reporting objectives.

Section III – Federal Award Findings and Questioned Costs

FINDING 2012-2 - Allowable Activities - Community Development Block Grants

Federal Agency: U.S. Department of Housing and Urban Development
Federal Program: Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
CFDA Number: 14.228
Federal Award Number and Year (or Other Identifying Number): A192-11-DR2-09-119
Pass-Through Entity: Lt. Governor

The Town contracted with Strand Associates, Inc., for engineering services related to the Town's stormwater improvement project. Two claims totaling $23,977.28 submitted by Strand Associates, Inc., were paid from the Town's Gaming Fund. The Federal Cash Control Ledger, a record that shows all federal grant transactions during the grant period, showed these two claims were used in requesting a drawdown for Community Development Block Grant funds from the pass-through agency. A review of the documentation supporting the two claims showed that $9,914.60 of the $23,977.28 of engineering expenses paid was not associated with the Town's stormwater improvement project. The $9,914.60 of engineering expenses was related to other Town projects.

24 CFR 85.22 states in part: "Allowable costs. (a) Limitation on use of funds. Grant funds may be used only for . . . allowable costs of the grantees, subgrantees . . ."

The Town did not have controls in place to properly monitor financial activity related to this federal project. As a result of not having proper monitoring controls, unallowable costs were paid from federal grant funds and the Town could be required to refund unallowable costs to the pass-through entity.

OMB Circular A-133 section .300(b) states:

> "The auditee shall: . . . Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements that could have a material effect of each of its Federal programs."

We recommended that the Town's management establish controls, including segregation of duties, related to the grant agreement and allowable activities requirements.

TOWN OF VEVAY

210FERRY STREET * VEVAY, IN 47043
Phone (812) 427-3131

May 20, 2013

Indiana State Board of Accounts
302 W. Washington Street
Vevay, IN 47043

Re: 2010,2011,2012 Town of Vevay Audit – Corrective Action Plan

Please accept this letter as the corrective action plan for Section II and III audit findings noted in the 2013 audit report for the Town of Vevay.

Section II – Finding 2012 -1 Internal Controls over financial transactions and reporting

Due to only two employed by Vevay to do all the controls, we must both have the same duties. However we will look into segregation of duties of cash, receipts and disbursements. We acknowledge and assume the risk inherent with the current design of the business office operations

Section III – Federal award findings and questioned costs

We acknowledge the finding and this has been corrected. I have spoken with Jodi Comer Grant Administrator Manager of Southeastern Indiana Regional Planning Commission. This has been corrected by revising the Federal Cash Control ledger, Strand Contractor Expenditure ledger and the local match ledger. We believe this will not be an issue with OCRA. Our local match commitment was met and federal funds were spent on approved budget line items.

Sincerely,
Graham
Donna Graham
Town of Vevay
Clerk/Treasurer

TOWN OF VEVAY
EXIT CONFERENCE

The contents of this report were discussed on May 21, 2013, with Donna Graham, Clerk-Treasurer, and Joshua South, President of the Town Council. The officials concurred with our audit findings.