

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WALKERTON
ST. JOSEPH COUNTY, INDIANA

January 1, 2015 to December 31, 2015



FILED
05/01/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Theresa Buckmaster	01-01-12 to 12-31-19
President of the Town Council	Karol S. Jackson	01-01-15 to 12-31-17



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WALKERTON, ST. JOSEPH COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Walkerton (Town), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement as listed in the Table of Contents.

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT
(Continued)

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position and results of operations of the Town for the year ended December 31, 2015.

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 year ended December 31, 2015, in accordance with the financial reporting provisions of the Indiana State Board of Accounts described in Note 1.

Other Matters

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.

Other Information

Our audit was conducted for the purpose of forming an opinion on the Town's financial statement. The Combining Schedule 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, 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.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2017, 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.


Paul D. Joyce, CPA
State Examiner

February 23, 2017



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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 WALKERTON, ST. JOSEPH 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 Walkerton (Town), which comprises the financial position and results of operations for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated February 23, 2017, 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-001 and 2015-002 that we consider to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-002.

Town of Walkerton's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

February 23, 2017

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FINANCIAL STATEMENT AND ACCOMPANYING NOTES

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

TOWN OF WALKERTON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2015

Fund	Cash and Investments 01-01-15	Receipts	Disbursements	Cash and Investments 12-31-15
General	\$ 103,930	\$ 921,327	\$ 974,154	\$ 51,103
Motor Vehicle Highway	117,092	239,369	195,877	160,584
Local Road And Street	69,726	24,938	85,265	9,399
Non Reverting Operating	89,297	90,366	151,890	27,773
Canine Donation Fund	1,013	10	253	770
Continuing Education Fund	19,361	28,652	18,796	29,217
Riverboat	24,821	12,701	15,418	22,104
Park Bond 2011	142,671	-	72,850	69,821
Rainy Day Fund	50,233	169	-	50,402
Drug Task Force	935	-	-	935
Cumulative Capital Dev	58,824	28,257	58,540	28,541
Redevelopment	20,493	65,527	27,272	58,748
Park District Bond Non Exempt 2011	(235)	79,017	38,494	40,288
Cummulative Capital Improvement	1,454	5,385	2,270	4,569
County Economic Dev Tax	86,686	152,605	141,054	98,237
Fire T Replace Equip	33,503	37,208	28,848	41,863
Street Project	-	407,164	407,164	-
Petty Cash	115	-	-	115
Cash Change Fund	250	-	-	250
Fire Donation	1,792	-	-	1,792
Operation Pullover	-	37,258	37,258	-
Donations Poor Relief	4,923	1,469	2,851	3,541
Economic Deveplemt Fund	10,017	-	-	10,017
Park And Recreation	23,193	138,376	133,531	28,038
Matching Grant Fund	8,235	-	-	8,235
Ambulance Invest D Eddinger	13,008	25	-	13,033
Ambulance Donation Fund	1,183	-	-	1,183
Court Storage Document	6	12,384	12,373	17
Police Reserve Donation	2,277	7,063	7,005	2,335
Historic Donation	24,256	6,238	2,278	28,216
Sale Of Suplus Fund	1,137	9,851	8,651	2,337
Police Grant	2,530	-	-	2,530
Interest Earned	41,198	6,387	19,674	27,911
Walkerton Continue Education	714	1,506	-	2,220
Fire Territory	103,942	563,081	538,667	128,356
LOIT Public Safety	141,354	111,722	110,069	143,007
Park District Bond	(2,513)	2,513	-	-
Payroll	19,175	685,681	692,701	12,155
Electric Utility Operating	763,074	3,710,444	3,816,540	656,978
Electric Utility Deposit	65,016	6,527	6,048	65,495
Electric Utility Cash Reserve	970,889	56,382	527,272	499,999
Trash Pick Up	47,648	116,330	132,315	31,663
Wastewater Construction	-	1,457,080	1,427,136	29,944
Wastewater Utility Operating	196,820	635,403	526,955	305,268
Wastewater Utility Bond And Int	89,679	134,023	167,228	56,474
Wastewater Utility Replacement	27,747	-	-	27,747
Wastewater Cash Reserve	51,494	-	-	51,494
Water Utility Operating	179,159	562,589	639,556	102,192
Water Utility Bond And Int	129,876	168,177	170,162	127,891
Water Utility Depreciation	98,000	22,000	1,000	119,000
Water Utility Deposit Fund	48,433	4,250	3,947	48,736
Water Utility Improvement	-	1,022,228	932,034	90,194
Water Utility Debt Service	179,855	-	-	179,855
Town Court	51,990	649,217	654,161	47,046
Totals	<u>\$ 4,116,276</u>	<u>\$ 12,220,899</u>	<u>\$ 12,787,557</u>	<u>\$ 3,549,618</u>

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

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Accounting

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

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

C. Cash and Investments

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

D. Receipts

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

Taxes. Amounts received from one or more of the following: property tax, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeeper's 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. Amounts received from businesses, occupations, or non-businesses 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 the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Intergovernmental receipts. Amounts received from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of intergovernmental receipts include, but are not limited to, the following: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distributions received from the state, local road and street distributions 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. Amounts received for services including, but not limited to, the following: planning commission charges, building department charges, copies of public records, copy machines 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. Amounts received 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. Amounts received from charges for current services.

Penalties. Amounts received from late payment fees.

Other receipts. Amounts received from various sources, including, but 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. Amounts disbursed 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. Amounts disbursed for 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, but are not limited to, the following: office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges. Amounts disbursed for services including, but not limited to, the following: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Debt service - principal and interest. Amounts disbursed for 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. Amounts disbursed for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses. Amounts disbursed for operating the utilities.

Other disbursements. Amounts disbursed for various other purposes including, but 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, make transfers 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 amounts 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 amounts 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.

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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, the following: federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. Risk Management

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

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

Note 6. Pension Plans

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

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

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

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

Funding Policy and Annual Pension Cost

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

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

Plan Description

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

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

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

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

Funding Policy

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

TOWN OF WALKERTON
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 7. *Holding Corporation*

The Town has entered into a capital lease with the Walkerton Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related-party of the Town. Lease payments during the year 2015 totaled \$138,000.

OTHER INFORMATION - UNAUDITED

The Town's Annual Financial 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 Town's Annual Financial Report 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 other information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015

	General	Motor Vehicle Highway	Local Road And Street	Non Reverting Operating	Canine Donation Fund	Continuing Education Fund	Riverboat
Cash and investments - beginning	\$ 103,930	\$ 117,092	\$ 69,726	\$ 89,297	\$ 1,013	\$ 19,361	\$ 24,821
Receipts:							
Taxes	525,254	61,586	-	959	-	-	-
Licenses and permits	5,226	-	-	-	-	-	-
Intergovernmental receipts	183,411	133,144	24,938	-	-	-	12,701
Charges for services	4,300	-	-	84,450	-	-	-
Fines and forfeits	165,424	-	-	-	-	28,652	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	37,712	44,639	-	4,957	10	-	-
Total receipts	<u>921,327</u>	<u>239,369</u>	<u>24,938</u>	<u>90,366</u>	<u>10</u>	<u>28,652</u>	<u>12,701</u>
Disbursements:							
Personal services	672,935	87,926	-	9,547	-	-	-
Supplies	37,316	22,565	-	63,720	-	-	-
Other services and charges	123,895	26,555	-	77,878	253	1,392	15,418
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	41,777	54,255	85,265	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	98,231	4,576	-	745	-	17,404	-
Total disbursements	<u>974,154</u>	<u>195,877</u>	<u>85,265</u>	<u>151,890</u>	<u>253</u>	<u>18,796</u>	<u>15,418</u>
Excess (deficiency) of receipts over disbursements	<u>(52,827)</u>	<u>43,492</u>	<u>(60,327)</u>	<u>(61,524)</u>	<u>(243)</u>	<u>9,856</u>	<u>(2,717)</u>
Cash and investments - ending	<u>\$ 51,103</u>	<u>\$ 160,584</u>	<u>\$ 9,399</u>	<u>\$ 27,773</u>	<u>\$ 770</u>	<u>\$ 29,217</u>	<u>\$ 22,104</u>

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Park Bond 2011	Rainy Day Fund	Drug Task Force	Cumulative Capital Dev	Redevelopment	Park District Bond Non Exeprmt 2011	Cummulative Capital Improvement
Cash and investments - beginning	\$ 142,671	\$ 50,233	\$ 935	\$ 58,824	\$ 20,493	\$ (235)	\$ 1,454
Receipts:							
Taxes	-	-	-	26,675	65,425	74,896	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	1,582	-	4,121	5,385
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	-	169	-	-	102	-	-
Total receipts	-	169	-	28,257	65,527	79,017	5,385
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	2,550	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	1,474
Debt service - principal and interest	-	-	-	-	-	38,494	-
Capital outlay	70,300	-	-	58,540	-	-	796
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	27,272	-	-
Total disbursements	72,850	-	-	58,540	27,272	38,494	2,270
Excess (deficiency) of receipts over disbursements	(72,850)	169	-	(30,283)	38,255	40,523	3,115
Cash and investments - ending	\$ 69,821	\$ 50,402	\$ 935	\$ 28,541	\$ 58,748	\$ 40,288	\$ 4,569

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	County Economic Dev Tax	Fire T Replace Equip	Street Project	Petty Cash	Cash Change Fund	Fire Donation	Operation Pullover
Cash and investments - beginning	\$ 86,686	\$ 33,503	\$ -	\$ 115	\$ 250	\$ 1,792	\$ -
Receipts:							
Taxes	-	35,031	-	-	-	-	32,190
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	151,789	2,177	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	816	-	407,164	-	-	-	5,068
Total receipts	<u>152,605</u>	<u>37,208</u>	<u>407,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,258</u>
Disbursements:							
Personal services	-	-	-	-	-	-	34,791
Supplies	-	-	-	-	-	-	-
Other services and charges	3,054	-	-	-	-	-	-
Debt service - principal and interest	138,000	-	-	-	-	-	-
Capital outlay	-	28,848	407,164	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	2,467
Total disbursements	<u>141,054</u>	<u>28,848</u>	<u>407,164</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,258</u>
Excess (deficiency) of receipts over disbursements	<u>11,551</u>	<u>8,360</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 98,237</u>	<u>\$ 41,863</u>	<u>\$ -</u>	<u>\$ 115</u>	<u>\$ 250</u>	<u>\$ 1,792</u>	<u>\$ -</u>

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Donations Poor Relief	Economic Development Fund	Park And Recreation	Matching Grant Fund	Ambulance Invest D Eddinger	Ambulance Donation Fund	Court Storage Document
Cash and investments - beginning	\$ 4,923	\$ 10,017	\$ 23,193	\$ 8,235	\$ 13,008	\$ 1,183	\$ 6
Receipts:							
Taxes	-	-	119,032	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	-	-	9,667	-	-	-	-
Charges for services	-	-	9,677	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	12,384
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	1,469	-	-	-	25	-	-
Total receipts	1,469	-	138,376	-	25	-	12,384
Disbursements:							
Personal services	-	-	93,003	-	-	-	10,570
Supplies	-	-	4,786	-	-	-	1,803
Other services and charges	2,851	-	29,728	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	6,014	-	-	-	-
Total disbursements	2,851	-	133,531	-	-	-	12,373
Excess (deficiency) of receipts over disbursements	(1,382)	-	4,845	-	25	-	11
Cash and investments - ending	\$ 3,541	\$ 10,017	\$ 28,038	\$ 8,235	\$ 13,033	\$ 1,183	\$ 17

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Police Reserve Donation	Historic Donation	Sale Of Suplus Fund	Police Grant	Interest Earned	Walkerton Continue Education	Fire Territory
Cash and investments - beginning	\$ 2,277	\$ 24,256	\$ 1,137	\$ 2,530	\$ 41,198	\$ 714	\$ 103,942
Receipts:							
Taxes	-	-	-	-	-	-	350,097
Licenses and permits	-	-	-	-	-	1,506	-
Intergovernmental receipts	-	-	-	-	-	-	66,744
Charges for services	-	-	-	-	-	-	141,862
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	7,063	6,238	9,851	-	6,387	-	4,378
Total receipts	7,063	6,238	9,851	-	6,387	1,506	563,081
Disbursements:							
Personal services	-	-	-	-	-	-	352,023
Supplies	7,005	2,278	8,651	-	-	-	40,067
Other services and charges	-	-	-	-	19,674	-	80,589
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	7,731
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	58,257
Total disbursements	7,005	2,278	8,651	-	19,674	-	538,667
Excess (deficiency) of receipts over disbursements	58	3,960	1,200	-	(13,287)	1,506	24,414
Cash and investments - ending	\$ 2,335	\$ 28,216	\$ 2,337	\$ 2,530	\$ 27,911	\$ 2,220	\$ 128,356

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	LOIT Public Safety	Park District Bond	Payroll	Electric Utility Operating	Electric Utility Deposit	Electric Utility Cash Reserve	Trash Pick Up
Cash and investments - beginning	\$ 141,354	\$ (2,513)	\$ 19,175	\$ 763,074	\$ 65,016	\$ 970,889	\$ 47,648
Receipts:							
Taxes	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	111,383	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	116,330
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	3,638,802	-	-	-
Penalties	-	-	-	21,014	-	-	-
Other receipts	339	2,513	685,681	50,628	6,527	56,382	-
Total receipts	<u>111,722</u>	<u>2,513</u>	<u>685,681</u>	<u>3,710,444</u>	<u>6,527</u>	<u>56,382</u>	<u>116,330</u>
Disbursements:							
Personal services	44,650	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	57,527	-	-	-	-	-	132,315
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	45,075	-	-	-
Utility operating expenses	-	-	-	3,640,215	-	-	-
Other disbursements	7,892	-	692,701	131,250	6,048	527,272	-
Total disbursements	<u>110,069</u>	<u>-</u>	<u>692,701</u>	<u>3,816,540</u>	<u>6,048</u>	<u>527,272</u>	<u>132,315</u>
Excess (deficiency) of receipts over disbursements	<u>1,653</u>	<u>2,513</u>	<u>(7,020)</u>	<u>(106,096)</u>	<u>479</u>	<u>(470,890)</u>	<u>(15,985)</u>
Cash and investments - ending	<u>\$ 143,007</u>	<u>\$ -</u>	<u>\$ 12,155</u>	<u>\$ 656,978</u>	<u>\$ 65,495</u>	<u>\$ 499,999</u>	<u>\$ 31,663</u>

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Wastewater Construction	Wastewater Utility Operating	Wastewater Utility Bond And Int	Wastewater Utility Replacement	Wastewater Cash Reserve	Water Utility Operating	Water Utility Bond And Int
Cash and investments - beginning	\$ -	\$ 196,820	\$ 89,679	\$ 27,747	\$ 51,494	\$ 179,159	\$ 129,876
Receipts:							
Taxes	-	-	-	-	-	25,096	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental receipts	1,457,080	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	504,724	-	-	-	482,078	-
Penalties	-	11,928	-	-	-	3,924	-
Other receipts	-	118,751	134,023	-	-	51,491	168,177
Total receipts	<u>1,457,080</u>	<u>635,403</u>	<u>134,023</u>	<u>-</u>	<u>-</u>	<u>562,589</u>	<u>168,177</u>
Disbursements:							
Personal services	-	118,767	-	-	-	111,846	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	14,624	-	-	-	19,436	-
Debt service - principal and interest	-	-	167,228	-	-	-	170,162
Capital outlay	1,322,915	102,294	-	-	-	44,194	-
Utility operating expenses	76,213	159,247	-	-	-	271,903	-
Other disbursements	<u>28,008</u>	<u>132,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>192,177</u>	<u>-</u>
Total disbursements	<u>1,427,136</u>	<u>526,955</u>	<u>167,228</u>	<u>-</u>	<u>-</u>	<u>639,556</u>	<u>170,162</u>
Excess (deficiency) of receipts over disbursements	<u>29,944</u>	<u>108,448</u>	<u>(33,205)</u>	<u>-</u>	<u>-</u>	<u>(76,967)</u>	<u>(1,985)</u>
Cash and investments - ending	<u>\$ 29,944</u>	<u>\$ 305,268</u>	<u>\$ 56,474</u>	<u>\$ 27,747</u>	<u>\$ 51,494</u>	<u>\$ 102,192</u>	<u>\$ 127,891</u>

TOWN OF WALKERTON
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2015
 (Continued)

	Water Utility Depreciation	Water Utility Deposit Fund	Water Utility Improvement	Water Utility Debt Service	Town Court	Totals
Cash and investments - beginning	\$ 98,000	\$ 48,433	\$ -	\$ 179,855	\$ 51,990	\$ 4,116,276
Receipts:						
Taxes	-	-	-	-	-	1,316,241
Licenses and permits	-	-	-	-	-	6,732
Intergovernmental receipts	-	-	494,956	-	-	2,659,078
Charges for services	-	-	-	-	-	356,619
Fines and forfeits	-	-	-	-	-	206,460
Utility fees	-	-	-	-	-	4,625,604
Penalties	-	-	-	-	-	36,866
Other receipts	<u>22,000</u>	<u>4,250</u>	<u>527,272</u>	<u>-</u>	<u>649,217</u>	<u>3,013,299</u>
Total receipts	<u>22,000</u>	<u>4,250</u>	<u>1,022,228</u>	<u>-</u>	<u>649,217</u>	<u>12,220,899</u>
Disbursements:						
Personal services	-	-	-	-	-	1,536,058
Supplies	-	-	-	-	-	190,741
Other services and charges	-	-	-	-	-	606,663
Debt service - principal and interest	-	-	-	-	-	513,884
Capital outlay	-	-	874,321	-	-	3,143,475
Utility operating expenses	1,000	-	57,713	-	-	4,206,291
Other disbursements	<u>-</u>	<u>3,947</u>	<u>-</u>	<u>-</u>	<u>654,161</u>	<u>2,590,445</u>
Total disbursements	<u>1,000</u>	<u>3,947</u>	<u>932,034</u>	<u>-</u>	<u>654,161</u>	<u>12,787,557</u>
Excess (deficiency) of receipts over disbursements	<u>21,000</u>	<u>303</u>	<u>90,194</u>	<u>-</u>	<u>(4,944)</u>	<u>(566,658)</u>
Cash and investments - ending	<u>\$ 119,000</u>	<u>\$ 48,736</u>	<u>\$ 90,194</u>	<u>\$ 179,855</u>	<u>\$ 47,046</u>	<u>\$ 3,549,618</u>

TOWN OF WALKERTON
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2015

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 5,427	\$ 5,044
Electric	2,179	60,327
Trash	10,721	82
Wastewater	4,397	904
Water	31,688	1,264
Totals	\$ 54,412	\$ 67,621

TOWN OF WALKERTON
SCHEDULE OF LEASES AND DEBT
December 31, 2015

Lessor	Purpose	Annual Lease Payment	Lease Beginning Date	Lease Ending Date
Governmental activities:				
First Source Bank	Police Car Lease	\$ 5,959	6/24/14	6/24/18
First Source Bank	Fire Truck Lease	28,848	2/15/14	2/15/19
Walkerton Building Corporation	Ad Valorem Prop Tax Lease Rental Bonds	<u>136,000</u>	12/31/13	12/31/32
Total of annual lease payments		<u>\$ 170,807</u>		

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:			
General obligation bonds	Street Project of 2015	\$ 410,000	\$ 76,419
General obligation bonds	Park District Bonds of 2011	<u>180,000</u>	<u>76,419</u>
Total governmental activities		<u>590,000</u>	<u>152,838</u>
Wastewater:			
Revenue bonds	Wastewater Facility and Sewer Works Project of	209,000	74,043
Revenue bonds	Wastewater Sewage Works Bonds of 2014	<u>2,737,000</u>	<u>91,885</u>
Total Wastewater		<u>2,946,000</u>	<u>165,928</u>
Water:			
Revenue bonds	Water Tower / Distribution Improvement	<u>1,097,000</u>	<u>175,813</u>
Totals		<u>\$ 4,633,000</u>	<u>\$ 494,579</u>

TOWN OF WALKERTON
SCHEDULE OF CAPITAL ASSETS
December 31, 2015

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	\$ 429,000
Infrastructure	14,110
Buildings	7,075,458
Machinery, equipment, and vehicles	3,252,655
Total governmental activities	10,771,223
Electric:	
Infrastructure	1,499,050
Buildings	410,871
Machinery, equipment, and vehicles	1,785,592
Total Electric	3,695,513
Wastewater:	
Infrastructure	1,736,619
Buildings	4,968,385
Machinery, equipment, and vehicles	924,362
Total Wastewater	7,629,366
Water:	
Infrastructure	2,733,483
Buildings	268,408
Improvements other than buildings	874,320
Machinery, equipment, and vehicles	244,573
Total Water	4,120,784
Total capital assets	\$ 26,216,886

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF WALKERTON, ST. JOSEPH COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Walkerton's (Town) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2015. 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 Federal statutes, regulations, and the terms and conditions of its Federal awards 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the 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 year ended December 31, 2015.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on the major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on 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 the Uniform Guidance, 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. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2015-003 and 2015-004 that we consider to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

February 23, 2017

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND ACCOMPANYING NOTES

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

TOWN OF WALKERTON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2015

Federal Grantor Agency Cluster Title/Program Title/Project Title	Pass-Through Entity or Direct Grant	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Pass-Through To Subrecipient	Total Federal Awards Expended
<u>Department of Agriculture</u>					
Water and Waste Program Cluster					
Water and Waste Disposal Systems for Rural Communities	Direct				
Wastewater Project		10.760	92-05	\$ -	\$ 1,337,577
Total - Water and Waste Program Cluster				-	1,337,577
Total - Department of Agriculture				-	1,337,577
<u>Department of Housing and Urban Development</u>					
Community Development Block Grants/State's					
program and Non-Entitlement Grants in Hawaii	Indiana Office of Community & Rural Affairs				
Wastewater Project		14.228	D-12-CD-18-0001	-	119,503
Water Project		14.228	WW-13-110	-	494,956
Total - Community Development Block Grants/State's				-	614,459
program and Non-Entitlement Grants in Hawaii Program				-	614,459
Total - Department of Housing and Urban Development				-	614,459
Total federal awards expended				\$ -	\$ 1,952,036

The accompanying notes are an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF WALKERTON
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of the Town under programs of the federal government for the year ended December 31, 2015. The information in the SEFA is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the SEFA presents only a select portion of the operations of the Town, it is not intended to and does not present the financial position of the Town.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the SEFA are reported on the cash basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in *the Uniform Guidance*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. When federal grants are received on a reimbursement basis, the federal awards are considered expended when the reimbursement is received. The Town has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

TOWN OF WALKERTON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

Type of auditor's report issued:	Adverse as to GAAP; Unmodified as to Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Noncompliance material to financial statement noted?	yes

Federal Awards:

Internal control over major program:	
Material weaknesses identified?	yes
Significant deficiencies identified?	none reported
Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?	yes

Identification of Major Program and type of auditor's report issued on compliance:

<u>Name of Federal Program or Cluster</u>	<u>Opinion Issued</u>
Water and Waste Program Cluster	Unmodified
Dollar threshold used to distinguish between Type A and Type B programs: \$750,000	
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

FINDING 2015-001 - INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Condition

The Town failed to establish or properly implement effective internal controls over cash and investments, receipts, vendor and payroll disbursements, and the Schedule of Expenditures of Federal Awards (SEFA).

Cash and Investments

The Town failed to document an oversight or review process over the monthly bank reconciliations.

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

Receipts and Vendor Disbursements

The Town had controls to ensure the accurate recording and processing of receipts and vendor disbursements. However, the controls were not properly implemented. The Town failed to document a review process over receipts that were entered into the financial software and over vendor disbursements that were generated by the financial software.

Payroll Disbursements

The Town paid its employees on various pay schedules, either bi-weekly, quarterly, bi-monthly, or monthly. The Town did not properly document a review process over payroll transactions.

SEFA

One employee prepared, submitted, and certified the SEFA without a review or approval process. There were no controls to ensure accurate reporting of federal awards.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

2 CFR section 200.508 states in part: "The auditee must: . . . (b) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with § 200.510 Financial statements. . . ."

2 CFR 200.510(b) states:

"*Schedule of expenditures of Federal awards*. The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502 Basis for determining Federal awards expended. While not required, the auditee may choose to provide information requested by Federal awarding agencies and pass-through entities to make the schedule easier to use. For example, when a Federal program has multiple Federal award years, the auditee may list the amount of Federal awards expended for each Federal award year separately. At a minimum, the schedule must:

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

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.
- (5) For loan or loan guarantee programs described in § 200.502 Basis for determining Federal awards expended, paragraph (b), identify in the notes to the schedule the balances outstanding at the end of the audit period. This is in addition to including the total Federal awards expended for loan or loan guarantee programs in the schedule.
- (6) Include notes that describe the significant accounting policies used in preparing the schedule, and note whether or not the auditee elected to use the 10% de minimis cost rate as covered in § 200.414 Indirect (F&A) costs."

Cause

Management of the Town had not established a proper system of internal controls. An evaluation of the Town's system of internal control had not been conducted and management had not conducted a risk assessment related to the Town's financial reporting and transactions.

Effect

The failure to establish or properly implement controls could have enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not have been either designed properly or operating effectively to provide reasonable assurance that controls would have prevented, or detected and corrected, misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

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

FINDING 2015-002 - FINANCIAL CLOSE AND REPORTING

Condition

The Town did not have effective internal controls over the financial close and reporting process and over cash and investments, receipts, and disbursements of the Town Court. There were no controls to ensure that all financial transactions of the Town were reported in the Annual Financial Report which was used to generate the financial statement. In addition, the Town did not document a review or approval process related to the cash reconciliation, and the receipts and disbursements transactions of the Town Court.

The Town failed to report the financial transactions of the Town Court. This resulted in material misstatements of the cash and investment balances, receipts and disbursements. The beginning cash and investments balance, receipts, disbursements, and ending cash and investment balance were under-reported by \$51,990, \$649,217, \$654,161, and \$47,046, respectively.

Adjustments were proposed, accepted, and made to the financial statement.

Criteria

The Indiana State Board of Accounts (SBOA) is required under Indiana Code 5-11-1-27(e) to define the acceptable minimum level of internal control standards. To provide clarifying guidance, the State Examiner compiled the standards contained in the manual, *Uniform Internal Control Standards for Indiana Political Subdivisions*. All political subdivisions subject to audit by SBOA are expected to adhere to these standards. The standards include adequate control activities. According to this manual:

"Control activities are the actions and tools established through policies and procedures that help to detect, prevent, or reduce the identified risks that interfere with the achievement of objectives. Detection activities are designed to identify unfavorable events in a timely manner whereas prevention activities are designed to deter the occurrence of an unfavorable event. Examples of these activities include reconciliations, authorizations, approval processes, performance reviews, and verification processes.

An integral part of the control activity component is segregation of duties. . . .

There is an expectation of segregation of duties. If compensating controls are necessary, documentation should exist to identify both the areas where segregation of duties are not feasible or practical and the compensating controls implemented to mitigate the risk. . . ."

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."

Cause

Management of the Town Court had not established a proper system of internal control.

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

Effect

The failure to establish or properly implement controls enabled material misstatements or irregularities to remain undetected. The failure to monitor the internal control system placed the Town at risk that controls may not be either designed properly or operating effectively to provide reasonable assurance that controls will prevent, or detect and correct, misstatements in a timely manner.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

Section III - Federal Award Findings and Questioned Costs

FINDING 2015-003 - SUSPENSION AND DEBARMENT

Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Number and Year (or Other Identifying Number): 92-05

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-003.

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the Suspension and Debarment compliance requirement.

The Town failed to comply with suspension and debarment requirements. As part of the Wastewater Project, the Town contracted with an engineering firm to oversee the project. The Town failed to verify that the engineering firm selected by the Town was not suspended or debarred from participation in federal programs.

Context

This is considered an isolated incident because it only happened one time.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

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

2 CFR 180.300 states:

"When you enter into a covered transaction with another person at the next lower tier, you must verify that the person with whom you intend to do business is not excluded or disqualified. You do this by:

- (a) Checking SAM Exclusions; or
- (b) Collecting a certification from that person; or
- (c) Adding a clause or condition to the covered transaction with that person."

Cause

Management had not developed a system of internal controls to ensure compliance with the Suspension and Debarment requirements.

Effect

The failure to establish an effective internal control system enabled noncompliance to go undetected. Noncompliance with the grant agreement and the compliance requirement could have resulted in the loss of federal funds to the Town.

Questioned Costs

There were no questioned costs identified.

Recommendation

We recommended that the Town's management establish controls to ensure compliance and to comply with Suspension and Debarment requirements of the program.

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

FINDING 2015-004 - WATER AND WASTE PROGRAM CLUSTER

Federal Agency: Department of Agriculture
Federal Program: Water and Waste Disposal Systems for Rural Communities
CFDA Number: 10.760
Federal Award Number and Year (or Other Identifying Number): 92-05

This is a repeat finding from the immediate prior year. The prior year finding number was 2014-004.

Condition

An effective internal control system was not in place at the Town in order to ensure compliance with requirements related to the grant agreement and the following compliance requirements: Cash Management and Reporting.

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

Cash Management

The Town had not established effective internal controls to minimize the time lapse between incurring a cost, issuing the related payment, and requesting the associated reimbursement.

Reporting

The Town had not established effective internal controls to ensure compliance with Reporting requirements.

Context

The lack of controls was a systemic problem. There were no documented controls over Cash Management or Reporting during the audit period.

Criteria

2 CFR 200.303 states in part:

"The non-Federal entity must:

- (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in 'Standards for Internal Control in the Federal Government' issued by the Comptroller General of the United States or the 'Internal Control Integrated Framework', issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). . . ."

Cause

Management had not developed a system of internal controls that segregated key functions.

Effect

The failure to establish an effective internal control system placed the Town at risk of noncompliance with the grant agreement and the compliance requirements. A lack of segregation of duties within an internal control system could also have allowed noncompliance with compliance requirements and allowed the misuse and mismanagement of federal funds and assets by not having proper oversight, reviews, and approvals over the activities of the program.

Questioned Costs

There were no questioned costs identified.

Recommendation

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

Views of Responsible Officials

For the views of responsible officials, refer to the Corrective Action Plan that is part of this report.

AUDITEE-PREPARED DOCUMENTS

The subsequent documents were provided by management of the Town. The documents are presented as intended by the Town.

TOWN OF WALKERTON
301 Michigan St.
Walkerton, Indiana 46574

(574)586-3711 Office

Office of the Clerk Treasurer

(574)586-2248 Fax

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-001

Fiscal year in which the finding initially occurred:


Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: United States Department of Agriculture

Contact Person Responsible for Corrective Action: Theresa Buckmaster

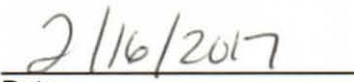
Contact Phone Number: 574-586-3711

Status of Audit Finding:

The 2015 audit was not completed in a timely manner therefor no action was taken to correct the findings in 2014.


Signature


Title


Date

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Walkerton, Indiana 46574

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-002

Fiscal year in which the finding initially occurred:


Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: United States Department of Agriculture

Contact Person Responsible for Corrective Action: Theresa Buckmaster

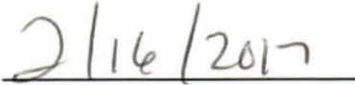
Contact Phone Number: 574-586-3711

Status of Audit Finding:

The 2015 audit was not completed in a timely manner therefor no action was taken to correct the findings in 2014.


Signature


Title


Date

**TOWN OF WALKERTON
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-003

Fiscal year in which the finding initially occurred:

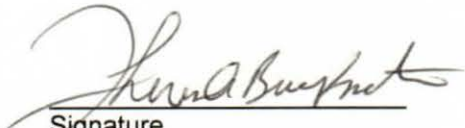
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: United States Department of Agriculture

Contact Person Responsible for Corrective Action: Theresa Buckmaster

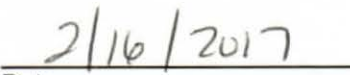
Contact Phone Number: 574-586-3711

Status of Audit Finding:

The 2015 audit was not completed in a timely manner therefor no action was taken to correct the findings in 2014.


Signature


Title


Date

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2014-004

Fiscal year in which the finding initially occurred:

Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: United States Department of Agriculture

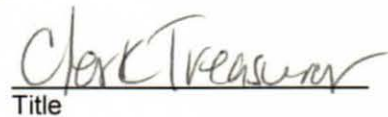
Contact Person Responsible for Corrective Action: Theresa Buckmaster

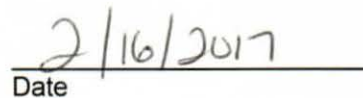
Contact Phone Number: 574-586-3711

Status of Audit Finding:

The 2015 audit was not completed in a timely manner therefor no action was taken to correct the findings in 2014.


Signature


Title


Date

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CORRECTIVE ACTION PLAN

FINDING 2015-001

Contact Person Responsible for Corrective Action: Theresa Buckmaster
Contact Phone Number: 574-586-3711
Description of Corrective Action Plan:

I concur with the finding.

Description of Corrective Action Plan:

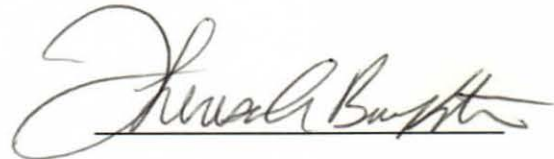
I will put internal controls in place to make sure there is a review process over monthly bank reconciliation, the receipts and vendor distributions, as well as the payroll disbursements.

SEFA: If awarded a federal grant I will put internal controls in place for more than one person reviewing the reporting.

Anticipated Completion Date:

I will start with my January 2017 reconcilements and March 2017 for receipts, vendor and payroll transactions.

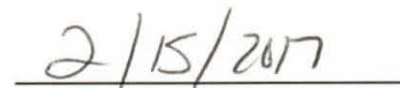
SEFA: As soon as we are awarded federal monies.



Signature



Title



Date

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CORRECTIVE ACTION PLAN

FINDING 2015-002

Contact Person Responsible for Corrective Action: Theresa Buckmaster
Contact Phone Number: 574-586-3711

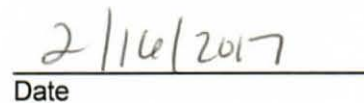
Description of Corrective Action Plan:

The courts financial data was entered in the 2015 annual report after the audit in 2017. I was not aware that the Town's Court financial data was to be reported in the Town's financial data for the AFR. I was never told in any prior audits that this was a requirement. I will work with the Court personnel and have an effective internal controls plan.

Anticipated Completion Date: Immediately


Signature


Title


Date

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CORRECTIVE ACTION PLAN

FINDING 2015-003

Contact Person Responsible for Corrective Action: Theresa Buckmaster
Contact Phone Number: 574-586-3711

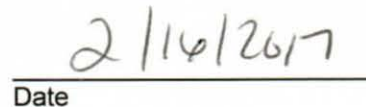
Description of Corrective Action Plan:

At the time of the agreements with the engineering firm the Town was not aware of the requirement for an engineering firm to be "verified of suspended or debarred from receiving federal funds". This requirement was fulfilled with the contractors on the project.

Anticipated Completion Date: Immediately. When contracting with engineering firm for a federal grant project we will ensure compliance.


Signature


Title


Date

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CORRECTIVE ACTION PLAN

FINDING 2015-004

Contact Person Responsible for Corrective Action: Theresa Buckmaster

Contact Phone Number: 574-586-3711

Description of Corrective Action Plan:

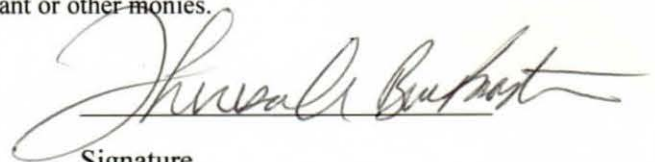
Description of Corrective Action Plan:

Cash Management:

Project invoices were submitted to the project engineer (sub-consultant) to review and approve; Said invoices were then presented to the Town Council by the project engineer (sub-consultant) at regularly scheduled Town Council meetings for review and approval; Once invoices were approved by the Town Council, the Walkerton Clerk-Treasurer would email the approved invoices to the grant administrator (sub-consultant) for review and the grant administrator (sub-consultant) would prepare the federal drawdown vouchers; Said federal drawdown vouchers were then emailed to the Clerk-Treasurer for signature and submission to federal agencies; Upon receipt of federal funds, the Clerk-Treasurer would email a copy of the federal fund deposit and checks written to grant administrator (sub-consultant) for posting. All checks were written within the 5 day requirement of receiving the deposits in the bank account. In the future I will have over sight in place as suggested by the SBOA.

Reporting: I will implement better documentation of reporting to ensure compliance.

Anticipated Completion Date: At the time of being awarded a grant or other monies.



Signature



Title



Date

OTHER REPORTS

In addition to this report, other reports may have been issued for the Town. All reports can be found on the Indiana State Board of Accounts' website: <http://www.in.gov/sboa/>.