

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF NEWPORT
VERMILLION COUNTY, INDIANA

January 1, 2014 to December 31, 2014



FILED
05/23/2017

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary A. Bemis	01-01-11 to 12-31-18
President of the Town Council	James Sutliff Paul M. Lee	01-01-14 to 12-31-16 01-01-17 to 12-31-17



STATE OF INDIANA
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Newport (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, 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 (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 from 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 to 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, 2014.

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, 2014, 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 the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the financial statement taken as a whole.


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

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 March 13, 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

March 13, 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 NEWPORT, VERMILLION COUNTY, INDIANA

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statement of the Town of Newport (Town), which comprises the financial position and results of operations for the year ended December 31, 2014, and the related notes to the financial statement, and have issued our report thereon dated March 13, 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.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statement will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002 to be material weaknesses.

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

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the Town's financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2014-002.

Town of Newport's Response to Findings

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

Purpose of This Report

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


Paul D. Joyce, CPA
State Examiner

March 13, 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 NEWPORT
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For the Year Ended December 31, 2014

Fund	Cash and Investments 01-01-14	Receipts	Disbursements	Cash and Investments 12-31-14
General	\$ 44,124	\$ 57,289	\$ 36,822	\$ 64,591
Motor Vehicle Highway	13,852	22,929	13,722	23,059
Local Roads and Street	10,839	3,223	-	14,062
Cumulative Capl Imprv Cigarette Tax	7,029	1,362	5,000	3,391
Cumulative Capital Development	54,458	2,499	-	56,957
Tree Fund	106	-	-	106
Water Utility-Operating	19,026	78,647	81,547	16,126
Water Utility- Bond And Interest	28,020	14,400	13,500	28,920
Water Utility- Depreciation/ Improve	9,500	6,000	9,766	5,734
Water Utility-Customer Deposit	8,445	850	850	8,445
Wastewater Operating Fund	-	29,666	13,378	16,288
Wastewater Bond & Interest Fund	-	14,609	14,609	-
Wastewater Debt Reserve Fund	-	302	-	302
Wastewater Operation & Maintenance Fund	-	5,000	2,500	2,500
USDA Rural Development	272,321	2,332,650	2,603,634	1,337
Construction Fund	64	-	-	64
OCRA CDBG	40,190	334,340	374,530	-
Totals	<u>\$ 507,974</u>	<u>\$ 2,903,766</u>	<u>\$ 3,169,858</u>	<u>\$ 241,882</u>

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

TOWN OF NEWPORT
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 NEWPORT
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.

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.

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.

TOWN OF NEWPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

Note 3. Property Taxes

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

TOWN OF NEWPORT
NOTES TO FINANCIAL STATEMENT
(Continued)

Note 4. *Deposits and Investments*

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

State statutes authorize the Town to invest in securities including, but not limited to, 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.

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 NEWPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014

	General	Motor Vehicle Highway	Local Roads and Street	Cumulative Capl Imprv Cigarette Tax	Cumulative Capital Development	Tree Fund
Cash and investments - beginning	\$ 44,124	\$ 13,852	\$ 10,839	\$ 7,029	\$ 54,458	\$ 106
Receipts:						
Taxes	35,262	-	-	-	1,001	-
Licenses and permits	2,205	-	-	-	-	-
Intergovernmental receipts	9,087	22,929	3,223	1,362	644	-
Charges for services	7,500	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Penalties	-	-	-	-	-	-
Other receipts	3,235	-	-	-	854	-
Total receipts	<u>57,289</u>	<u>22,929</u>	<u>3,223</u>	<u>1,362</u>	<u>2,499</u>	<u>-</u>
Disbursements:						
Personal services	6,831	6,177	-	-	-	-
Supplies	2,551	4,204	-	-	-	-
Other services and charges	21,458	3,341	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	5,000	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	5,982	-	-	-	-	-
Total disbursements	<u>36,822</u>	<u>13,722</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>20,467</u>	<u>9,207</u>	<u>3,223</u>	<u>(3,638)</u>	<u>2,499</u>	<u>-</u>
Cash and investments - ending	<u>\$ 64,591</u>	<u>\$ 23,059</u>	<u>\$ 14,062</u>	<u>\$ 3,391</u>	<u>\$ 56,957</u>	<u>\$ 106</u>

TOWN OF NEWPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Water Utility- Operating	Water Utility- Bond And Interest	Water Utility- Depreciation/ Improve	Water Utility-Customer Deposit	Wastewater Operating Fund	Wastewater Bond & Interest Fund
Cash and investments - beginning	\$ 19,026	\$ 28,020	\$ 9,500	\$ 8,445	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental receipts	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Utility fees	71,490	-	-	-	29,666	-
Penalties	2,307	-	-	-	-	-
Other receipts	<u>4,850</u>	<u>14,400</u>	<u>6,000</u>	<u>850</u>	<u>-</u>	<u>14,609</u>
Total receipts	<u>78,647</u>	<u>14,400</u>	<u>6,000</u>	<u>850</u>	<u>29,666</u>	<u>14,609</u>
Disbursements:						
Personal services	15,710	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	4,531	-	-	-	-	-
Debt service - principal and interest	13,500	13,500	-	-	-	-
Capital outlay	4,000	-	-	-	-	-
Utility operating expenses	23,031	-	-	-	13,378	-
Other disbursements	<u>20,775</u>	<u>-</u>	<u>9,766</u>	<u>850</u>	<u>-</u>	<u>14,609</u>
Total disbursements	<u>81,547</u>	<u>13,500</u>	<u>9,766</u>	<u>850</u>	<u>13,378</u>	<u>14,609</u>
Excess (deficiency) of receipts over disbursements	<u>(2,900)</u>	<u>900</u>	<u>(3,766)</u>	<u>-</u>	<u>16,288</u>	<u>-</u>
Cash and investments - ending	<u>\$ 16,126</u>	<u>\$ 28,920</u>	<u>\$ 5,734</u>	<u>\$ 8,445</u>	<u>\$ 16,288</u>	<u>\$ -</u>

TOWN OF NEWPORT
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2014
 (Continued)

	Wastewater Debt Reserve Fund	Wastewater Operation & Maintenance Fund	USDA Rural Development	Construction Fund	OCRA CDBG	Totals
Cash and investments - beginning	\$ -	\$ -	\$ 272,321	\$ 64	\$ 40,190	\$ 507,974
Receipts:						
Taxes	-	-	-	-	-	36,263
Licenses and permits	-	-	-	-	-	2,205
Intergovernmental receipts	-	-	-	-	-	37,245
Charges for services	-	-	-	-	-	7,500
Utility fees	-	-	-	-	-	101,156
Penalties	-	-	-	-	-	2,307
Other receipts	<u>302</u>	<u>5,000</u>	<u>2,332,650</u>	<u>-</u>	<u>334,340</u>	<u>2,717,090</u>
Total receipts	<u>302</u>	<u>5,000</u>	<u>2,332,650</u>	<u>-</u>	<u>334,340</u>	<u>2,903,766</u>
Disbursements:						
Personal services	-	-	-	-	-	28,718
Supplies	-	-	-	-	-	6,755
Other services and charges	-	-	-	-	-	29,330
Debt service - principal and interest	-	-	-	-	-	27,000
Capital outlay	-	-	-	-	-	9,000
Utility operating expenses	-	-	-	-	-	36,409
Other disbursements	<u>-</u>	<u>2,500</u>	<u>2,603,634</u>	<u>-</u>	<u>374,530</u>	<u>3,032,646</u>
Total disbursements	<u>-</u>	<u>2,500</u>	<u>2,603,634</u>	<u>-</u>	<u>374,530</u>	<u>3,169,858</u>
Excess (deficiency) of receipts over disbursements	<u>302</u>	<u>2,500</u>	<u>(270,984)</u>	<u>-</u>	<u>(40,190)</u>	<u>25,992</u>
Cash and investments - ending	<u>\$ 302</u>	<u>\$ 2,500</u>	<u>\$ 1,337</u>	<u>\$ 64</u>	<u>\$ -</u>	<u>\$ 241,882</u>

TOWN OF NEWPORT
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2014

Government or Enterprise	Accounts Payable	Accounts Receivable
Newport Water Works	\$ 3,700	\$ 4,671
Governmental activities	-	5,467
Totals	\$ 3,700	\$ 10,138

TOWN OF NEWPORT
 SCHEDULE OF LEASES AND DEBT
 December 31, 2014

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Newport Water Works: Revenue bonds	Water system	\$ 39,000	\$ 13,950
Newport Wastewater Works: Loan	Wastewater Treatment Plant	<u>1,375,000</u>	<u>29,219</u>
Total governmental activities		<u>1,414,000</u>	<u>43,169</u>
Totals		<u>\$ 1,414,000</u>	<u>\$ 43,169</u>

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

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

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

Report on Compliance for Each Major Federal Program

We have audited the Town of Newport's (Town) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

***Basis for Qualified Opinion on Community Development Block Grants/
State's program and Non-Entitlement Grants in Hawaii***

As described in item 2014-005 in the accompanying Schedule of Findings and Questioned Costs, the Town did not comply with requirements regarding Cash Management that are applicable to its Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii. Compliance with such requirements is necessary, in our opinion, for the Town to comply with requirements applicable to that program.

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

***Qualified Opinion on Community Development Block Grants/
State's program and Non-Entitlement Grants in Hawaii***

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion on Community Development Block Grants/ State's program and Non-Entitlement Grants in Hawaii* paragraph, the Town complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii for the year ended December 31, 2014.

Unmodified Opinion on the Other 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 other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2014.

Other Matters

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

Report on Internal Control over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.


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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2014-003 and 2014-004 to be material weaknesses.

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

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

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


Paul D. Joyce, CPA
State Examiner

March 13, 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 NEWPORT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2014

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 Grant	10.760	15-083-410-141-744	\$ -	\$ 2,606,169
<u>Department of Housing and Urban Development</u>					
CDBG - State-Administered CDBG Cluster Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Indiana Office of Community and Rural Affairs	14.228	CF-08-600	-	334,340
Total federal awards expended				\$ -	\$ 2,940,509

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

TOWN OF NEWPORT
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, 2014. The information in the SEFA is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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.

TOWN OF NEWPORT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I - Summary of Auditor's Results

Financial Statement:

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

Federal Awards:

Internal control over major programs: Material weaknesses identified? Significant deficiency identified?	yes none reported
Type of auditor's report issued on compliance for major programs:	
Water and Waste Disposal Systems for Rural Communities Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	Unmodified Qualified
Any audit findings disclosed that are required to be reported in accordance with section .510(a) of OMB Circular A-133?	yes

Identification of Major Programs:

Name of Federal Program or Cluster

Water and Waste Program Cluster
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 2014-001 - INTERNAL CONTROLS AND COMPLIANCE
OVER FINANCIAL TRANSACTIONS AND REPORTING**

Condition

There were several deficiencies in the internal control system of the Town related to financial transactions and reporting. No evidence of a control, such as oversight, review, or approval process was identified.

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

1. Lack of Segregation of Duties: The Town had not separated incompatible activities related to financial close and reporting, receipts and disbursements. There was no evidence of a control, such as oversight, review, or approval process to ensure accurate recordkeeping and an accurate financial statement.

The Clerk-Treasurer posted the ledger, made deposits, and reconciled the bank accounts. The Utility Clerk calculated and prepared bills and posted payments to customer accounts.

The Clerk-Treasurer entered the Town's financial information into the Gateway system, which is used to compile the financial statement. No evidence of a control, such as an oversight, review, or approval process by the Town, was identified. The following funds were omitted from the financial statement: Wastewater Operating Fund, Wastewater Bond & Interest Fund, Wastewater Debt Reserve Fund, Wastewater Operation & Maintenance Fund, USDA Rural Development, Construction Fund, and OCRA CDBG. The following table summarizes the amounts omitted for each fund:

Fund	Beginning Balance	Receipts	Disbursements	Ending Balance
Wastewater Operating Fund	\$ -	\$ 29,666	\$ 13,378	\$ 16,288
Wastewater Bond & Interest Fund	-	14,609	14,609	-
Wastewater Debt Reserve Fund	-	302	-	302
Wastewater Operation & Maintenance Fund	-	5,000	2,500	2,500
USDA Rural Development	272,321	2,332,650	2,603,634	1,337
Construction Fund	64	-	-	64
OCRA CDBG	40,190	334,340	374,530	-

2. Monitoring of Controls: The Town had no process to identify or communicate corrective actions to improve controls. Effective internal control over financial reporting required the Town to monitor and assess the quality of the system of internal control.

Audit adjustments were proposed, accepted by the Town's management, 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. . . ."

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

"Monitoring Activities Evaluations are used to determine whether each of the five components of internal control is present and functioning. These evaluations may be conducted on an ongoing or periodic basis. The criteria used are developed by the oversight body, elected officials, management, governing boards, or recognized standard-setting bodies or regulators. . . ."

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

Effect

The failure to establish 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 would have prevented, or detected and corrected, material 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.

FINDING 2014-002 - PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the Schedule of Expenditures of Federal Awards (SEFA). The Clerk-Treasurer entered the Town's financial data into the Gateway system, which was used to compile the SEFA. No evidence of a control, such as oversight, review, or approval process was identified.

The following errors were noted on the SEFA:

1. The Water and Waste Disposal Systems for Rural Communities grant was overstated by \$3,085,271.
2. The Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii was overstated by \$334,340.
3. Both grants had the wrong pass-through agency and program name.

Audit adjustments were proposed, accepted by the Town, and made to the SEFA.

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

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. . . ."

OMB Circular A-133, Subpart C, section .300 states in part: "The auditee shall: . . . (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with section .310."

OMB Circular A-133, Subpart C, section .310(b) states:

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

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

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

- (5) To the extent practical, pass-through entities should identify in the schedule the total amount provided to subrecipients from each Federal program.
- (6) Include, in either the schedule or a note to the schedule, the value of the Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end. While not required, it is preferable to present this information in the schedule."

Cause

Management had not established a system of internal control that would have ensured proper reporting of program expenditures on the SEFA.

Effect

Without a proper system of internal control in place that operated effectively, material misstatements of the SEFA remained undetected. The SEFA contained the errors identified in the *Condition*.

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 2014-003 - INTERNAL CONTROLS OVER WATER AND WASTE DISPOSAL SYSTEM FOR RURAL COMMUNITIES

Federal Agency: Department of Agriculture

Federal Program: Water and Waste Disposal Systems for Rural Communities

CFDA Number: 10.760

Federal Award Number and Year (or Other Identifying Number): 15-083-410-141-744

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: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Equipment and Real Property Management; and Procurement and Suspension and Debarment.

The Grant Administrator performed all of the grant compliance requirements with no review or monitoring by the Town. No evidence of a control, such as an oversight, review, or approval process, was identified.

Context

The Town hired a Grant Administrator to facilitate compliance with the grant. There was no evidence of internal controls over compliance with the grant requirements or the grant agreement. This was pervasive throughout the entire grant period.

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

Criteria

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

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

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 have also 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 the 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.

FINDING 2014-004 - INTERNAL CONTROLS OVER COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE'S PROGRAM AND NON-ENTITLEMENT GRANTS IN HAWAII

Federal Agency: 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): CF-08-600
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Davis-Bacon Act; Matching, Level of Effort, Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; Special Tests and Provisions. - Citizen Participation; and Special Tests and Provisions - Environmental Reviews.

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

The Grant Administrator performed all of the grant compliance requirements with no review or monitoring by the Town. No evidence of a control, such as an oversight, review, or approval process, was identified.

Context

The Town hired a Grant Administrator to facilitate compliance with the grant. There was no evidence of internal controls over compliance with the grant requirements or the grant agreement. This was pervasive throughout the entire grant period and across all compliance requirements.

Criteria

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

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

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 have also allowed noncompliance with the 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 the 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.

FINDING 2014-005 - CASH MANAGEMENT

Federal Agency: 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): CF-08-600
Pass-Through Entity: Indiana Office of Community and Rural Affairs

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

Condition

The Town entered into a grant agreement for the construction of a wastewater plant with the Indiana Office of Rural and Community Affairs (OCRA). The Town did not pay the vendors for the project within five business days as required by the grant agreement.

Context

The Town hired a Grant Administrator to facilitate compliance with the grant requirements. The Grant Administrator performed all of the grant compliance requirements with no review or monitoring by the Town. No evidence of a control, such as an oversight, review, or approval process, was identified. Of the cash drawdowns from the program, 97 percent were not expended within the required time frame.

Criteria

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

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

The *Indiana CDBG Handbook, Community Development Block Grants* issued by the Indiana Office of Community and Rural Affairs states in part:

"6.5. **Draw-downs and disbursements.** . . . Grantees must be alert to the receipt of federal funds and be prepared to issue payments to their contractors within five business days of the deposit."

Cause

Management had not developed policies and procedures to ensure that all Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii (CDBG) funds received were being disbursed within the five day required time frame.

Effect

Noncompliance with the grant agreement or the compliance requirements 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 establish policies and procedures related to the grant agreement and the compliance requirement that have a direct and material effect to the program.

Views of Responsible Officials

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

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AUDITEE-PREPARED DOCUMENTS

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

Town of Newport

P.O. Box 65
Newport, IN 47966
765-492-3518

Mary Alice Bemis
Clerk-Treasurer

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FINDING 2013-003

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Finance Authority and Department of Agriculture
Contact Person Responsible for Corrective Action: Mary Alice Bemis
Contact Phone Number: 765-492-3518

Status of Audit Finding:

Since the Town of Newport is essentially a one man office, it is extremely difficult to have segregation of duties. The town has not fixed any previous internal control issues.

FINDING 2013-004

Fiscal year in which the finding initially occurred: 2013
Pass-Through Entity, if pass-through or Federal Grantor Agency, if direct: Indiana Finance Authority
Contact Person Responsible for Corrective Action: Mary Alice Bemis
Contact Phone Number: 765-492-3518

Status of Audit Finding:

The Town did not receive any ARRA money for 2014, therefore it was not on the ledger or the SEFA.

Mary A. Bemis
(Signature)

Clerk-Treasurer
(Title)

2-22-17
(Date)

Town of Newport

P.O. Box 65
Newport, IN 47966
765-492-3518

Mary Alice Bemis
Clerk-Treasurer

CORRECTIVE ACTION PLAN

FINDING 2014-001

Contact Person Responsible for Corrective Action: Mary Alice Bemis
Contact Phone Number: 765-492-3518

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

In the future the president of the town council will periodically review the documents relating to receipts, disbursements, payroll, and cash books of the billing clerk to ensure accuracy. The president of the town council will review the annual financial report prior to its submission.

Anticipated Completion Date: March 1, 2017

FINDING 2014-002

Contact Person Responsible for Corrective Action: Mary Alice Bemis
Contact Phone Number: 765-492-3518

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

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

Anticipated Completion Date: March 1, 2017

FINDING 2014-003

Contact Person Responsible for Corrective Action: Mary Alice Bemis
Contact Phone Number: 765-492-3518

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Town received the balance of grant funds in 2015 and don't anticipate having grants in the future.

Anticipated Completion Date: N/A

FINDING 2014-004

Contact Person Responsible for Corrective Action: Mary Alice Bemis

Contact Phone Number: 765-492-3518

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Town received the balance of grant funds in 2015 and don't anticipate having grants in the future.

Anticipated Completion Date: N/A

FINDING 2014-005

Contact Person Responsible for Corrective Action: Mary Alice Bemis

Contact Phone Number: 765-492-3518

Views of Responsible Official: We concur with the finding.

Description of Corrective Action Plan:

The Town received the balance of grant funds in 2015 and don't anticipate having grants in the future.

Anticipated Completion Date: N/A

Mary Alice Bemis
(Signature)

Chief Treasurer
(Title)

2. 22-17
(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/>.