

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF WAYNETOWN
MONTGOMERY COUNTY, INDIANA

January 1, 2017 to December 31, 2017



FILED
09/21/2018

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Schedule of Officials | 2 |
| Independent Auditor's Report | 3-5 |
| 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 <i>Government Auditing Standards</i> | 6-7 |
| Financial Statement and Accompanying Notes: | |
| Statement of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis | 10 |
| Notes to Financial Statement | 11-15 |
| Other Information - Unaudited: | |
| Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances - Regulatory Basis | 18-24 |
| Schedule of Payables and Receivables | 25 |
| Schedule of Leases and Debt | 26 |
| Schedule of Capital Assets..... | 27 |
| Supplemental Audit of Federal Awards: | |
| Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance | 30-31 |
| Schedule of Expenditures of Federal Awards and Accompanying Notes: | |
| Schedule of Expenditures of Federal Awards..... | 34 |
| Notes to Schedule of Expenditures of Federal Awards | 35 |
| Schedule of Findings and Questioned Costs | 36-38 |
| Auditee-Prepared Document: | |
| Corrective Action Plan | 40 |
| Other Reports..... | 41 |

SCHEDULE OF OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|-------------------------------------|--|
| Clerk-Treasurer | Sandra K. Proctor | 01-01-13 to 12-31-18 |
| President of the Town Council | Robert Cox Barry Lewis | 01-01-17 to 12-31-17 01-01-18 to 12-31-18 |
| Superintendent of Utilities | Brandon L. Stephens Paul E. Rusk | 01-01-17 to 03-11-17 03-12-17 to 05-10-17 |
| Utility Office Manager | John R. Warren | 05-11-17 to 12-31-18 |



INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF WAYNETOWN, MONTGOMERY COUNTY, INDIANA

Report on the Financial Statement

We have audited the accompanying financial statement of the Town of Waynetown (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, 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, 2017.

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, 2017, 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 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 State 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 August 16, 2018, 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 solely 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 effectiveness of the Town's 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

August 16, 2018



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 WAYNETOWN, MONTGOMERY 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 Waynetown (Town), which comprises the financial position and results of operations for the year ended December 31, 2017, and the related notes to the financial statement, and have issued our report thereon dated August 16, 2018, 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 Town'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 item 2017-001, that we consider to be a material weakness.

Compliance and Other Matters

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

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


determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001.

Town of Waynetown'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

August 16, 2018

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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 WAYNETOWN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For the Year Ended December 31, 2017

| Fund | Cash and Investments 01-01-17 | Receipts | Disbursements | Cash and Investments 12-31-17 |
|---------------------------|-------------------------------------|---------------------|---------------------|-------------------------------------|
| GENERAL | \$ 165,286 | \$ 155,657 | \$ 161,158 | \$ 159,785 |
| M.V.H. | 114,874 | 47,009 | 15,500 | 146,383 |
| L.R.S. | 16,871 | 5,543 | - | 22,414 |
| LAW CONTINUING EDUCATION | 2,098 | 494 | - | 2,592 |
| PARK&REC | 2,971 | 17,203 | 19,732 | 442 |
| RAINY DAY | 1,499 | - | - | 1,499 |
| C.C.I. | 1,291 | 2,330 | - | 3,621 |
| C.C.D. | 8,803 | 8,481 | - | 17,284 |
| C.B. | 6,353 | - | 6,353 | - |
| CASINO/RIVERBOAT | 17,025 | 5,675 | - | 22,700 |
| BONY Disbursement | - | 1,458,438 | 1,458,438 | - |
| BONY Clearing | - | - | - | - |
| BONY Reserve | 8,109 | 17,952 | - | 26,061 |
| BONY Debt Service | 13,362 | 88,964 | 6,685 | 95,642 |
| OCRA WATER GRANT | - | 290,500 | 290,500 | - |
| DRUNK BUSTERS GRANT | - | 8,673 | 8,673 | - |
| POOL&PARK DONATION FUND | 325,583 | 715 | 10,662 | 315,636 |
| POLICE DONATION FUND | 924 | 648 | 697 | 875 |
| FESTIVAL DONATION FUND | 43,849 | 2,700 | 8,450 | 38,099 |
| PAYROLL | 1,522 | 281,945 | 281,871 | 1,596 |
| ELECTRIC OPERATING | 68,590 | 628,598 | 631,021 | 66,167 |
| ELECTRIC CUSTOMER DEPOSIT | 41,228 | 9,765 | 6,438 | 44,555 |
| ELECTRIC DEPRECIATION | 280,048 | 28,035 | 18,338 | 289,745 |
| ELECTRIC CASH RESERVE | 10,700 | - | - | 10,700 |
| STORM WATER | 57,844 | 10,293 | 27,958 | 40,179 |
| TRASH | 24,861 | 45,262 | 43,806 | 26,317 |
| SEWER OPERATING | 22,423 | 183,963 | 205,807 | 579 |
| SEWER DEPRECIATION | 22,353 | 2,148 | 7,226 | 17,275 |
| SEWER DEBT SRF | - | 70,656 | 70,656 | - |
| SEWER DEBT RESERVE SRF | 71,001 | - | - | 71,001 |
| WATER OPERATING | 99,228 | 350,926 | 264,441 | 185,713 |
| WATER CUSTOMER DEPOSIT | 24,094 | 5,800 | 3,855 | 26,039 |
| WATER DEPRECIATION | 10,435 | 1,080 | 4,000 | 7,515 |
| WATER DEBT SRF | - | 96,640 | 96,640 | - |
| WATER DEBT RESERVE SRF | - | 19,456 | 19,456 | - |
| Totals | <u>\$ 1,463,225</u> | <u>\$ 3,845,549</u> | <u>\$ 3,668,361</u> | <u>\$ 1,640,414</u> |

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

TOWN OF WAYNETOWN
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 nonbusinesses that must be licensed before doing business within the government's jurisdiction, or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include the following: peddler licenses, animal licenses, auctioneer licenses, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF WAYNETOWN
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 WAYNETOWN
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

TOWN OF WAYNETOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

the preceding year's lien date (March 1 in a year ending before January 1, 2016 and January 1 in a year beginning after December 31, 2015) 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 Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is a cost-sharing multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

TOWN OF WAYNETOWN
NOTES TO FINANCIAL STATEMENT
(Continued)

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.

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OTHER INFORMATION - UNAUDITED

The Town's Annual Financial Report information can be found on the Indiana Gateway for Government Units 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 WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | GENERAL | M.V.H. | L.R.S. | LAW CONTINUING EDUCATION | PARK&REC | RAINY DAY |
|---|------------|------------|-----------|--------------------------------|----------|--------------|
| Cash and investments - beginning | \$ 165,286 | \$ 114,874 | \$ 16,871 | \$ 2,098 | \$ 2,971 | \$ 1,499 |
| Receipts: | | | | | | |
| Taxes | 121,513 | - | - | - | 157 | - |
| Licenses and permits | 120 | - | - | 450 | - | - |
| Intergovernmental receipts | 30,276 | 47,009 | 5,543 | - | - | - |
| Charges for services | 29 | - | - | - | 16,646 | - |
| Fines and forfeits | 489 | - | - | 44 | - | - |
| Utility fees | - | - | - | - | - | - |
| Penalties | - | - | - | - | - | - |
| Other receipts | 3,230 | - | - | - | 400 | - |
| Total receipts | 155,657 | 47,009 | 5,543 | 494 | 17,203 | - |
| Disbursements: | | | | | | |
| Personal services | 71,648 | 8,139 | - | - | 19,195 | - |
| Supplies | 20,432 | 2,297 | - | - | - | - |
| Other services and charges | 53,994 | 800 | - | - | 137 | - |
| Capital outlay | 11,621 | 4,264 | - | - | - | - |
| Utility operating expenses | - | - | - | - | - | - |
| Other disbursements | 3,463 | - | - | - | 400 | - |
| Total disbursements | 161,158 | 15,500 | - | - | 19,732 | - |
| Excess (deficiency) of receipts over disbursements | (5,501) | 31,509 | 5,543 | 494 | (2,529) | - |
| Cash and investments - ending | \$ 159,785 | \$ 146,383 | \$ 22,414 | \$ 2,592 | \$ 442 | \$ 1,499 |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | C.C.I. | C.C.D. | C.B. | CASINO/RIVERBOAT | BONY Disbursement |
|--|-----------------|------------------|----------------|------------------|----------------------|
| Cash and investments - beginning | \$ 1,291 | \$ 8,803 | \$ 6,353 | \$ 17,025 | \$ - |
| Receipts: | | | | | |
| Taxes | - | 6,945 | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental receipts | 2,330 | 1,536 | - | 5,675 | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | - |
| Penalties | - | - | - | - | - |
| Other receipts | - | - | - | - | 1,458,438 |
| Total receipts | <u>2,330</u> | <u>8,481</u> | <u>-</u> | <u>5,675</u> | <u>1,458,438</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | - | 6,353 | - | - |
| Capital outlay | - | - | - | - | - |
| Utility operating expenses | - | - | - | - | - |
| Other disbursements | - | - | - | - | 1,458,438 |
| Total disbursements | <u>-</u> | <u>-</u> | <u>6,353</u> | <u>-</u> | <u>1,458,438</u> |
| Excess (deficiency) of receipts over disbursements | <u>2,330</u> | <u>8,481</u> | <u>(6,353)</u> | <u>5,675</u> | <u>-</u> |
| Cash and investments - ending | <u>\$ 3,621</u> | <u>\$ 17,284</u> | <u>\$ -</u> | <u>\$ 22,700</u> | <u>\$ -</u> |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | BONY Clearing | BONY Reserve | BONY Debt Service | OCRA WATER GRANT | DRUNK BUSTERS GRANT |
|---|------------------|-----------------|-------------------------|------------------------|---------------------------|
| Cash and investments - beginning | \$ - | \$ 8,109 | \$ 13,362 | \$ - | \$ - |
| Receipts: | | | | | |
| Taxes | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental receipts | - | - | - | 290,500 | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | - |
| Penalties | - | - | - | - | - |
| Other receipts | - | 17,952 | 88,964 | - | 8,673 |
| Total receipts | - | 17,952 | 88,964 | 290,500 | 8,673 |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | - | - | - | - |
| Capital outlay | - | - | - | - | 8,673 |
| Utility operating expenses | - | - | - | - | - |
| Other disbursements | - | - | 6,685 | 290,500 | - |
| Total disbursements | - | - | 6,685 | 290,500 | 8,673 |
| Excess (deficiency) of receipts over disbursements | - | 17,952 | 82,280 | - | - |
| Cash and investments - ending | \$ - | \$ 26,061 | \$ 95,642 | \$ - | \$ - |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | POOL&PARK DONATION FUND | POLICE DONATION FUND | FESTIVAL DONATION FUND | PAYROLL | ELECTRIC OPERATING |
|---|-------------------------------|----------------------------|------------------------------|----------|-----------------------|
| Cash and investments - beginning | \$ 325,583 | \$ 924 | \$ 43,849 | \$ 1,522 | \$ 68,590 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | 37,224 |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental receipts | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | - | 570,920 |
| Penalties | - | - | - | - | 5,012 |
| Other receipts | 715 | 648 | 2,700 | 281,945 | 15,442 |
| Total receipts | 715 | 648 | 2,700 | 281,945 | 628,598 |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | 10,062 | - | - | - | - |
| Capital outlay | - | - | - | - | 899 |
| Utility operating expenses | - | - | - | - | 547,776 |
| Other disbursements | 600 | 697 | 8,450 | 281,871 | 82,346 |
| Total disbursements | 10,662 | 697 | 8,450 | 281,871 | 631,021 |
| Excess (deficiency) of receipts over disbursements | (9,947) | (49) | (5,750) | 74 | (2,423) |
| Cash and investments - ending | \$ 315,636 | \$ 875 | \$ 38,099 | \$ 1,596 | \$ 66,167 |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | ELECTRIC CUSTOMER DEPOSIT | ELECTRIC DEPRECIATION | ELECTRIC CASH RESERVE | STORM WATER | TRASH |
|--|---------------------------------|--------------------------|-----------------------------|------------------|------------------|
| Cash and investments - beginning | \$ 41,228 | \$ 280,048 | \$ 10,700 | \$ 57,844 | \$ 24,861 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental receipts | - | - | - | - | - |
| Charges for services | - | - | - | - | 44,194 |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | - | - | - | 10,293 | - |
| Penalties | - | - | - | - | - |
| Other receipts | 9,765 | 28,035 | - | - | 1,068 |
| Total receipts | <u>9,765</u> | <u>28,035</u> | <u>-</u> | <u>10,293</u> | <u>45,262</u> |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | - |
| Supplies | - | - | - | - | - |
| Other services and charges | - | - | - | - | 43,806 |
| Capital outlay | - | 4,862 | - | 4,000 | - |
| Utility operating expenses | - | 13,476 | - | 23,958 | - |
| Other disbursements | 6,438 | - | - | - | - |
| Total disbursements | <u>6,438</u> | <u>18,338</u> | <u>-</u> | <u>27,958</u> | <u>43,806</u> |
| Excess (deficiency) of receipts over disbursements | <u>3,327</u> | <u>9,697</u> | <u>-</u> | <u>(17,665)</u> | <u>1,456</u> |
| Cash and investments - ending | <u>\$ 44,555</u> | <u>\$ 289,745</u> | <u>\$ 10,700</u> | <u>\$ 40,179</u> | <u>\$ 26,317</u> |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | SEWER OPERATING | SEWER DEPRECIATION | SEWER DEBT SRF | SEWER DEBT RESERVE SRF | WATER OPERATING |
|--|--------------------|-----------------------|----------------------|---------------------------------|--------------------|
| Cash and investments - beginning | \$ 22,423 | \$ 22,353 | \$ - | \$ 71,001 | \$ 99,228 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | 20,743 |
| Licenses and permits | - | - | - | - | - |
| Intergovernmental receipts | - | - | - | - | - |
| Charges for services | - | - | - | - | - |
| Fines and forfeits | - | - | - | - | - |
| Utility fees | 178,870 | - | - | - | 318,660 |
| Penalties | 4,992 | - | - | - | 2,717 |
| Other receipts | 101 | 2,148 | 70,656 | - | 8,806 |
| Total receipts | <u>183,963</u> | <u>2,148</u> | <u>70,656</u> | <u>-</u> | <u>350,926</u> |
| Disbursements: | | | | | |
| Personal services | 47,292 | - | - | - | 53,974 |
| Supplies | - | - | - | - | - |
| Other services and charges | 6,143 | - | - | - | 7,100 |
| Capital outlay | 3,677 | 4,000 | - | - | 1,523 |
| Utility operating expenses | 75,891 | 3,226 | - | - | 63,933 |
| Other disbursements | 72,804 | - | 70,656 | - | 137,911 |
| Total disbursements | <u>205,807</u> | <u>7,226</u> | <u>70,656</u> | <u>-</u> | <u>264,441</u> |
| Excess (deficiency) of receipts over disbursements | <u>(21,844)</u> | <u>(5,078)</u> | <u>-</u> | <u>-</u> | <u>86,485</u> |
| Cash and investments - ending | <u>\$ 579</u> | <u>\$ 17,275</u> | <u>\$ -</u> | <u>\$ 71,001</u> | <u>\$ 185,713</u> |

TOWN OF WAYNETOWN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For the Year Ended December 31, 2017

| | WATER CUSTOMER DEPOSIT | WATER DEPRECIATION | WATER DEBT SRF | WATER DEBT RESERVE SRF | Totals |
|--|------------------------------|-----------------------|----------------------|---------------------------------|--------------|
| Cash and investments - beginning | \$ 24,094 | \$ 10,435 | \$ - | \$ - | \$ 1,463,225 |
| Receipts: | | | | | |
| Taxes | - | - | - | - | 186,582 |
| Licenses and permits | - | - | - | - | 570 |
| Intergovernmental receipts | - | - | - | - | 382,869 |
| Charges for services | - | - | - | - | 60,869 |
| Fines and forfeits | - | - | - | - | 533 |
| Utility fees | - | - | - | - | 1,078,743 |
| Penalties | - | - | - | - | 12,721 |
| Other receipts | 5,800 | 1,080 | 96,640 | 19,456 | 2,122,662 |
| Total receipts | 5,800 | 1,080 | 96,640 | 19,456 | 3,845,549 |
| Disbursements: | | | | | |
| Personal services | - | - | - | - | 200,248 |
| Supplies | - | - | - | - | 22,729 |
| Other services and charges | - | - | - | - | 128,395 |
| Capital outlay | - | 4,000 | - | - | 47,519 |
| Utility operating expenses | - | - | - | - | 728,260 |
| Other disbursements | 3,855 | - | 96,640 | 19,456 | 2,541,210 |
| Total disbursements | 3,855 | 4,000 | 96,640 | 19,456 | 3,668,361 |
| Excess (deficiency) of receipts over disbursements | 1,945 | (2,920) | - | - | 177,189 |
| Cash and investments - ending | \$ 26,039 | \$ 7,515 | \$ - | \$ - | \$ 1,640,414 |

TOWN OF WAYNETOWN
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2017

| Government or Enterprise | Accounts Payable | Accounts Receivable |
|--------------------------|---------------------|------------------------|
| Electric | \$ 78,738 | \$ 3,845 |
| Storm Water | - | 53 |
| Trash | 3,788 | 272 |
| Sewer | 3,551 | 1,540 |
| Water | 4,999 | 1,623 |
| Governmental activities | 3,737 | - |
| Totals | \$ 94,813 | \$ 7,333 |

TOWN OF WAYNETOWN
 SCHEDULE OF LEASES AND DEBT
 December 31, 2017

| Description of Debt | | Ending Principal Balance | Principal and Interest Due Within One Year |
|---------------------|---|--------------------------------|---|
| Type | Purpose | | |
| Sewer: | | | |
| Revenue bonds | Build On To Sewer Plant | \$ 201,000 | \$ 70,829 |
| Water: | | | |
| Revenue bonds | SRF Loan - Construction in Progress for New Water Treatment Plant & New Line Under Coal Creek & New Water Lines Downtown | 1,517,000 | 96,340 |
| Revenue bonds | SRF Loan Reserve | 67,437 | 19,456 |
| Total Water | | <u>1,584,437</u> | <u>115,796</u> |
| Totals | | <u>\$ 1,785,437</u> | <u>\$ 186,625</u> |

TOWN OF WAYNETOWN
SCHEDULE OF CAPITAL ASSETS
December 31, 2017

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 | \$ 13,808 |
| Infrastructure | 74,726 |
| Buildings | 327,361 |
| Improvements other than buildings | 1,226,317 |
| Machinery, equipment, and vehicles | <u>491,431</u> |
| Total governmental activities | <u>2,133,643</u> |
| Electric: | |
| Land | 13,704 |
| Infrastructure | 10 |
| Buildings | 166,576 |
| Improvements other than buildings | 234,559 |
| Machinery, equipment, and vehicles | <u>364,178</u> |
| Total Electric | <u>779,027</u> |
| Storm Water: | |
| Infrastructure | 17,810 |
| Improvements other than buildings | 4,510 |
| Machinery, equipment, and vehicles | <u>4,000</u> |
| Total Storm Water | <u>26,320</u> |
| Trash: | |
| Total Trash | <u>-</u> |
| Sewer: | |
| Land | 4,800 |
| Infrastructure | 10 |
| Buildings | 85,548 |
| Improvements other than buildings | 2,430,191 |
| Machinery, equipment, and vehicles | <u>655,031</u> |
| Total Sewer | <u>3,175,580</u> |
| Water: | |
| Land | 502 |
| Infrastructure | 500,010 |
| Buildings | 512,091 |
| Improvements other than buildings | 1,899,240 |
| Machinery, equipment, and vehicles | <u>47,612</u> |
| Total Water | <u>2,959,455</u> |
| Total capital assets | <u>\$ 9,074,025</u> |

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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 WAYNETOWN, MONTGOMERY COUNTY, INDIANA

Report on Compliance for the Major Federal Program

We have audited the Town of Waynetown'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, 2017. 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, 2017.

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


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 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. A significant deficiency in internal control over compliance is a deficiency, or a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

August 16, 2018

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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 WAYNETOWN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the Year Ended December 31, 2017

| 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 | Passed Through to Subrecipient | Total Federal Awards Expended |
|--|--|---------------------------|--|-----------------------------------|-------------------------------------|
| <u>Department of Housing and Urban Development</u> | | | | | |
| Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii OCRA Water Grant | Office of Community and Rural Affairs (OCRA) | 14.228 | B14DC180001CF-WW-14-107 | \$ - | \$ 290,500 |
| Total - Department of Housing and Urban Development | | | | - | 290,500 |
| <u>Environmental Protection Agency</u> | | | | | |
| Drinking Water State Revolving Fund Cluster Capitalization Grants for Drinking Water State Revolving Funds SRF Water Project | Indiana Finance Authority (IFA) | 66.468 | DW15088901 | - | 1,413,934 |
| Total - Drinking Water State Revolving Fund Cluster | | | | - | 1,413,934 |
| Total - Environmental Protection Agency | | | | - | 1,413,934 |
| Total federal awards expended | | | | \$ - | \$ 1,704,434 |

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

TOWN OF WAYNETOWN
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, 2017. 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 WAYNETOWN
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 weakness identified? | yes |
| Significant deficiency identified? | none reported |
| Noncompliance material to financial statement noted? | yes |

Federal Awards:

| | |
|---|---------------|
| Internal control over major program: | |
| Material weakness identified? | no |
| Significant deficiency identified? | none reported |
| Any audit finding disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)? | no |

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

| CFDA Number | Name of Federal Program or Cluster | Opinion Issued |
|----------------|---|-------------------|
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | 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 2017-001

Subject: Financial Transactions and Reporting
Audit Findings: Material Weakness, Noncompliance

Condition

There was a deficiency in the internal control system of the Town related to financial transactions and reporting.

The Town did not have a proper system of internal control in place to prevent, or detect and correct, errors on the financial statement.

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

The Town had not established effective internal controls over the financial information entered into the Indiana Gateway for Government Units (Gateway) financial reporting system, which was the source of the Town's financial statement. The information submitted to Gateway was prepared without an effective control in place that would have prevented, or detected and corrected, errors on the financial statement.

Context

The financial statement presented for audit contained the following errors:

The BONY Disbursement, BONY Clearing, BONY Reserve, and BONY Debt Service funds were not included in the financial statement, resulting in understatements of beginning balances, receipts, disbursements, and ending balances of \$21,471, \$1,565,354, \$1,465,123, and \$121,702, respectively.

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. . . .

The Green Book identifies a list of control activity categories that are meant only to illustrate the range and variety of control activities; the list is by no means all inclusive, but is reproduced here for reference purposes: . . .

- Accurate and timely recording of transactions. . . ."

"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. . . ."

Cause

Management had not established a proper system of internal controls over financial transactions and reporting.

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

Effect

The failure to establish and monitor controls enabled misstatements or irregularities to remain undetected.

Recommendation

We recommended that the Town's management establish and monitor an effective system of internal controls, including segregation of duties, to ensure that financial transactions are properly recorded and reported.

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

No matters are reportable.

AUDITEE-PREPARED DOCUMENT

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

TOWN OF WAYNETOWN

CORRECTIVE ACTION PLAN

FINDING 2017-001

Contact Person: Sandra K. Proctor
Contact Title: Waynetown Clerk-Treasurer
Phone Number: 765-234-2154 Ext 12

I concur with the SBOA Finding.

Waynetown has implemented the following internal controls.

1. All BONY Receipts will be entered into the Town's Financial System and in Gateway.
2. All BONY Disbursements will be entered into the Town's Financial System and in Gateway.
3. The anticipated completion date will be the next Gateway Annual Report submission date.

Signature: Sandra K. Proctor
Title: Clerk-Treasurer
Date: 8-16-2018

**106 NORTH VINE * PO BOX 215
WAYNETOWN, INDIANA 47990
PHONE 765-234-2154 * FAX 765-234-1601**

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/>.