

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

AUDIT REPORT

OF

WASHINGTON TOWNSHIP

MORGAN COUNTY, INDIANA

January 1, 2008 to December 31, 2009



**FILED**

06/01/2010



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials .....	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards .....	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards .....	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis .....	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds .....	9-10
Notes to Financial Statements .....	11-17
Required Supplementary Information:	
Schedule of Funding Progress .....	18
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	19-20
Schedule of Long-Term Debt .....	21
Audit Results and Comments:	
Internal Controls Over Financial Transactions and Reporting .....	22
Disbursement Documentation .....	22
Overdrawn Fund Balance .....	22
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	24-25
Schedule of Expenditures of Federal Awards .....	26
Notes to Schedule of Expenditures of Federal Awards.....	27
Schedule of Findings and Questioned Costs .....	28-30
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings .....	31
Corrective Action Plan.....	32-33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Trustee	John C. Neal	01-01-08 to 12-31-10
Chairman of the Township Board	Karen Hughes	01-01-08 to 12-31-08
	Bud Manley	01-01-09 to 12-31-09
	Hewitt Mills	01-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, MORGAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township (Township), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Township prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, each major fund, and the aggregate remaining fund information of the Township as of December 31, 2008 and 2009, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated February 11, 2010, on our consideration of the Township'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 audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Township has not presented Management's Discussion and Analysis or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The Combining Schedules, as listed in the Table of Contents, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 11, 2010



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

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, MORGAN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Washington Township (Township), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Township's basic financial statements and have issued our report thereon dated February 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in item 2009-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

Compliance and Other Matters

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

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

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

STATE BOARD OF ACCOUNTS

February 11, 2010



WASHINGTON TOWNSHIP, MORGAN COUNTY  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2009

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program</u>	<u>Net (Disbursement) Receipt</u>	
		<u>Receipts</u>	<u>and Changes in Net Assets</u>	
		<u>Operating</u>	<u>Primary Government</u>	
		<u>Grants and</u>	<u>Governmental</u>	<u>Totals</u>
		<u>Contributions</u>	<u>Activities</u>	
Primary government:				
Governmental activities:				
General government	\$ 935,891	\$ -	\$ (935,891)	\$ (935,891)
Public safety	1,227,201	782,897	(444,304)	(444,304)
Principal and interest on indebtedness	55,914	-	(55,914)	(55,914)
Total governmental activities	<u>\$ 2,219,006</u>	<u>\$ 782,897</u>	(1,436,109)	(1,436,109)
		General receipts:		
		Property taxes	913,889	913,889
		Intergovernmental	499,583	499,583
		Other local sources	14,321	14,321
		Investment earnings	1,315	1,315
		Loan Proceeds	300,000	300,000
		Total general receipts	<u>1,729,108</u>	<u>1,729,108</u>
		Change in net assets	292,999	292,999
		Net assets - beginning	<u>681,642</u>	<u>681,642</u>
		Net assets - ending	<u>\$ 974,641</u>	<u>\$ 974,641</u>
<u>Assets</u>				
Cash and investments			\$ 741,955	\$ 741,955
Restricted assets:				
Cash and investments			<u>232,686</u>	<u>232,686</u>
Total assets			<u>\$ 974,641</u>	<u>\$ 974,641</u>
<u>Net Assets</u>				
Restricted for:				
Capital outlay			\$ 232,686	\$ 232,686
Unrestricted			<u>741,955</u>	<u>741,955</u>
Total net assets			<u>\$ 974,641</u>	<u>\$ 974,641</u>

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

WASHINGTON TOWNSHIP, MORGAN COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	Township	Township Assistance	Firefighting	Cumulative Fire	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 70,365	\$ 40,993	\$ 238,575	\$ 44,607	\$ 12,821	\$ 407,361
Intergovernmental	3,592	1,080	306,636	187	65,322	376,817
Other	24,615	-	417	-	-	25,032
Total receipts	<u>98,572</u>	<u>42,073</u>	<u>545,628</u>	<u>44,794</u>	<u>78,143</u>	<u>809,210</u>
Disbursements:						
General government	88,913	40,865	-	-	50,406	180,184
Public safety	-	-	807,050	-	-	807,050
Capital outlay:						
Public safety	-	-	-	100,000	-	100,000
Total disbursements	<u>88,913</u>	<u>40,865</u>	<u>807,050</u>	<u>100,000</u>	<u>50,406</u>	<u>1,087,234</u>
Excess (deficiency) of receipts over disbursements	<u>9,659</u>	<u>1,208</u>	<u>(261,422)</u>	<u>(55,206)</u>	<u>27,737</u>	<u>(278,024)</u>
Cash and investment fund balance - beginning	<u>354,124</u>	<u>117,177</u>	<u>158,322</u>	<u>282,493</u>	<u>47,550</u>	<u>959,666</u>
Cash and investment fund balance - ending	<u>\$ 363,783</u>	<u>\$ 118,385</u>	<u>\$ (103,100)</u>	<u>\$ 227,287</u>	<u>\$ 75,287</u>	<u>\$ 681,642</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 363,783	\$ 118,385	\$ (103,100)	\$ -	\$ 75,287	\$ 454,355
Restricted assets:						
Cash and investments	-	-	-	227,287	-	227,287
Total cash and investment assets - ending	<u>\$ 363,783</u>	<u>\$ 118,385</u>	<u>\$ (103,100)</u>	<u>\$ 227,287</u>	<u>\$ 75,287</u>	<u>\$ 681,642</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Capital outlay	\$ -	\$ -	\$ -	\$ 227,287	\$ -	\$ 227,287
Unrestricted	363,783	118,385	(103,100)	-	75,287	454,355
Total cash and investment fund balance - ending	<u>\$ 363,783</u>	<u>\$ 118,385</u>	<u>\$ (103,100)</u>	<u>\$ 227,287</u>	<u>\$ 75,287</u>	<u>\$ 681,642</u>

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

WASHINGTON TOWNSHIP, MORGAN COUNTY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2009

	Township	Township Assistance	Federal Grants	Firefighting	Cumulative Fire	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 154,704	\$ 82,724	\$ -	\$ 528,347	\$ 86,084	\$ 62,030	\$ 913,889
Intergovernmental	24,019	11,228	776,676	423,298	13,847	33,412	1,282,480
Interfund loans	-	-	-	150,000	-	-	150,000
Other	9,207	95	-	6,334	-	-	15,636
Loan proceeds	-	-	-	-	300,000	-	300,000
<b>Total receipts</b>	<b>187,930</b>	<b>94,047</b>	<b>776,676</b>	<b>1,107,979</b>	<b>399,931</b>	<b>95,442</b>	<b>2,662,005</b>
<b>Disbursements:</b>							
General government	101,869	57,346	-	-	-	-	159,215
Public safety	-	-	-	832,669	-	-	832,669
Interfund loans	150,000	-	-	-	-	-	150,000
<b>Debt service:</b>							
Principal	-	-	-	-	-	46,365	46,365
Interest	-	-	-	-	-	9,549	9,549
<b>Capital outlay:</b>							
Public safety	-	-	776,676	-	394,532	-	1,171,208
<b>Total disbursements</b>	<b>251,869</b>	<b>57,346</b>	<b>776,676</b>	<b>832,669</b>	<b>394,532</b>	<b>55,914</b>	<b>2,369,006</b>
Excess of receipts over disbursements	(63,939)	36,701	-	275,310	5,399	39,528	292,999
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	17,825	17,825
Transfers out	(10,545)	(7,280)	-	-	-	-	(17,825)
<b>Total other financing sources (uses)</b>	<b>(10,545)</b>	<b>(7,280)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,825</b>	<b>-</b>
Excess of receipts and other financing sources over disbursements and other financing uses	(74,484)	29,421	-	275,310	5,399	57,353	292,999
Cash and investment fund balance - beginning	363,783	118,385	-	(103,100)	227,287	75,287	681,642
Cash and investment fund balance - ending	\$ 289,299	\$ 147,806	\$ -	\$ 172,210	\$ 232,686	\$ 132,640	\$ 974,641
<b>Cash and Investment Assets - Ending</b>							
Cash and investments	\$ 289,299	\$ 147,806	\$ -	\$ 172,210	\$ -	\$ 132,640	\$ 741,955
<b>Restricted assets:</b>							
Cash and investments	-	-	-	-	232,686	-	232,686
<b>Total cash and investment assets - ending</b>	<b>\$ 289,299</b>	<b>\$ 147,806</b>	<b>\$ -</b>	<b>\$ 172,210</b>	<b>\$ 232,686</b>	<b>\$ 132,640</b>	<b>\$ 974,641</b>
<b>Cash and Investment Fund Balance - Ending</b>							
<b>Restricted for:</b>							
Capital outlay	\$ -	\$ -	\$ -	\$ -	\$ 232,686	\$ -	\$ 232,686
Unrestricted	289,299	147,806	-	172,210	-	132,640	741,955
<b>Total cash and investment fund balance - ending</b>	<b>\$ 289,299</b>	<b>\$ 147,806</b>	<b>\$ -</b>	<b>\$ 172,210</b>	<b>\$ 232,686</b>	<b>\$ 132,640</b>	<b>\$ 974,641</b>

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

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Township was established under the laws of the State of Indiana. The Township operates under a township trustee/township board form of government and provides the following services: public safety (fire), health and social services (township assistance), culture and recreation (parks and/or community centers), and general administrative services (weed and dog control).

The Township's financial reporting entity is composed of the following:

Primary Government: Washington Township Trustee

In determining the financial reporting entity, the Township complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. However, at this time, the Township has not established any enterprise funds.

The Township reports the following major governmental funds:

The Township Fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township Assistance Fund accounts for receipts and disbursements pertaining to individuals and households qualifying for assistance.

The Federal Grants Fund accounts for receipts and disbursements for purchasing portable radios for fire departments in Morgan County.

The Firefighting Fund accounts for receipts and disbursements for fire protection and emergency services.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Cumulative Fire Fund accounts for receipts and disbursements pertaining to land, buildings, and equipment.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund, proprietary fund, and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment 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. Investment transactions are not presented on the financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds). The Township does not have any enterprise funds or internal service funds.

When both restricted and unrestricted resources are available for use, the Township's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. Cash and Investments

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

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Township in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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% 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 may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Township on or prior to December 31 of the year collected.

4. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

5. Long-Term Debt

Long-term debt arising from cash basis transactions of governmental and proprietary funds is not reported as a liability in the basic financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as disbursements.

6. Equity Classification

Government-Wide Statements

Equity is classified as net assets and displayed in two components:

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.
4. Interfund loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

Government-Wide Financial Statements

Interfund activity, if any, is eliminated or reclassified in the government-wide financial statements as follows:

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Township submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Township receives approval of the Indiana Department of Local Government Finance.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

The Township's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported a deficit in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008
Firefighting	<u>\$ (103,100)</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. IC 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The Township does not have a deposit policy for custodial credit risk. At December 31, 2009, the Township had deposit balances in the amount of \$974,641.

The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2009, were as follows:

Transfer From	Transfer To	2009
Township	Other governmental funds	\$ 10,545
Township Assistance	Other governmental funds	<u>7,280</u>
Total		<u>\$ 17,825</u>

The Township typically uses transfers for cash flow purposes as provided by various statutory provisions.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

IV. Other Information

A. Risk Management

The Township is 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, and dependents; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and dependents; and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Risk financing is not utilized for the other risks of loss.

B. Pension Plans

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. Public Employees' Retirement Fund

Plan Description

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

PERF 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. The report may be obtained by contacting:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Funding Policy

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The total contributions made to PERF by the Township during the period were \$3,056.

2. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

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

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy

The contribution requirements of plan members and the Township are established by the Board of Trustees of PERF. The Township's contributions to the plan during the period were \$129,637.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 8,951	\$ 15,841	\$ (6,890)	57%	\$ 12,480	(55%)
07-01-07	11,209	17,220	(6,011)	65%	12,792	(47%)
07-01-08	14,035	19,731	(5,696)	71%	14,352	(40%)

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Federal Grants	Rainy Day	Levy Excess	Fire Emergency Loan	Fire Debt	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 12,821	\$ 12,821
Intergovernmental	35,661	29,607	-	-	54	65,322
Total receipts	<u>35,661</u>	<u>29,607</u>	<u>-</u>	<u>-</u>	<u>12,875</u>	<u>78,143</u>
Disbursements:						
General government	35,661	14,745	-	-	-	50,406
Excess of receipts over disbursements	<u>-</u>	<u>14,862</u>	<u>-</u>	<u>-</u>	<u>12,875</u>	<u>27,737</u>
Cash and investment fund balance - beginning	<u>-</u>	<u>30,979</u>	<u>419</u>	<u>13,785</u>	<u>2,367</u>	<u>47,550</u>
Cash and investment fund balance - ending	<u>\$ -</u>	<u>\$ 45,841</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 15,242</u>	<u>\$ 75,287</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	<u>\$ -</u>	<u>\$ 45,841</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 15,242</u>	<u>\$ 75,287</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Unrestricted	<u>\$ -</u>	<u>\$ 45,841</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 15,242</u>	<u>\$ 75,287</u>

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2009

	Rainy Day	Levy Excess	Fire Emergency Loan	Fire Debt	Totals
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 62,030	\$ 62,030
Intergovernmental	24,264	-	-	9,148	33,412
	<u>24,264</u>	<u>-</u>	<u>-</u>	<u>71,178</u>	<u>95,442</u>
Total receipts					
Disbursements:					
Debt service:					
Principal	-	-	-	46,365	46,365
Interest	914	-	-	8,635	9,549
	<u>914</u>	<u>-</u>	<u>-</u>	<u>55,000</u>	<u>55,914</u>
Total disbursements					
Excess of receipts over disbursements	23,350	-	-	16,178	39,528
Other financing sources (uses):					
Transfers in	17,825	-	-	-	17,825
Excess of receipts and other financing sources over disbursements and other financing uses	41,175	-	-	16,178	57,353
Cash and investment fund balance - beginning	45,841	419	13,785	15,242	75,287
Cash and investment fund balance - ending	<u>\$ 87,016</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 31,420</u>	<u>\$ 132,640</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	<u>\$ 87,016</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 31,420</u>	<u>\$ 132,640</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Unrestricted	<u>\$ 87,016</u>	<u>\$ 419</u>	<u>\$ 13,785</u>	<u>\$ 31,420</u>	<u>\$ 132,640</u>

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2009

The Trustee has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Fire Truck	\$ 253,635	\$ 55,914

WASHINGTON TOWNSHIP, MORGAN COUNTY  
AUDIT RESULTS AND COMMENTS

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

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

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

DISBURSEMENT DOCUMENTATION

A loan was obtained with Harris Bank for \$300,000 for the purchase of a fire truck. The bank made a wire transfer to KME Fire Apparatus for the \$300,000 for payment of a fire truck. The Trustee did not receive and deposit the \$300,000 loan proceeds and then make payment to KME Fire Apparatus through the claims process. An adjustment was made to include these transactions in the Cumulative Fire Fund.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Disbursements, other than properly authorized petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

OVERDRAWN FUND BALANCES

The Firefighting Fund was overdrawn in 2008.

The balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF WASHINGTON TOWNSHIP, MORGAN COUNTY, INDIANA

Compliance

We have audited the compliance of Washington Township (Township) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. The Township's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Township's management. Our responsibility is to express an opinion on the Township's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Township's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Township's compliance with those requirements.

In our opinion, the Township complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-2 and 2009-3.

Internal Control Over Compliance

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in a Township's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in items 2009-2 and 2009-3 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

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

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

STATE BOARD OF ACCOUNTS

February 11, 2010

WASHINGTON TOWNSHIP, MORGAN COUNTY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Direct Grant				
Assistance to Firefighters Grant EMW-2008-FR-00096	97.044		\$ -	\$ 776,676
Pass-Through Indiana Department of Homeland Security				
Public Assistance Grants				
Severe Storms and Flooding Disaster # 1766	97.036		45,691	1,221
Total for federal grantor agency			45,691	777,897
Total federal awards expended			\$ 45,691	\$ 777,897

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

WASHINGTON TOWNSHIP, MORGAN COUNTY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Washington Township Trustee (Township) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of townships shall be conducted biennially. Such audits shall include both years within the biennial period.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	yes

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
97.044	Assistance to Firefighters Grant

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 2009-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

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

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

WASHINGTON TOWNSHIP, MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Townships, Chapter 13)

Section III – Federal Award Findings and Questioned Costs

FINDING 2009-2, CASH MANAGEMENT

Federal Agency: U.S. Department of Homeland Security  
Federal Program: Assistance to Firefighters Grant  
CFDA Number: 97.044

The Trustee drew down the grant award on January 6, 2009, and did not pay the vendor until February 14, 2009; a period of 40 days. The grant receipt was deposited into an interest bearing account. The amount of interest earned was \$141.

44 CFR 13.21 states: "(b) *Basic standard.* Methods and procedures for payment shall minimize the time elapsing between the transfer of funds and disbursement by the grantee or subgrantee, in accordance with Treasury regulations at 31 CFR part 205. (c) *Advances.* Grantees and subgrantees shall be paid in advance, provided they maintain or demonstrate the willingness and ability to maintain procedures to minimize the time elapsing between the transfer of the funds and their disbursement by the grantee or subgrantee."

44 CFR 13.21(h)(2) (i) states in part: ". . .grantees and subgrantees shall promptly, but at least quarterly, remit interest earned on advances to the Federal agency. The grantee or subgrantee may keep interest amounts up to \$100 per year for administrative expenses."

Failure to minimize the cash on hand may cause future funding to be reduced.

We recommended that the Township Trustee modify the cash drawdown requests as necessary to minimize the time federal receipts are on hand. Interest earned in excess of \$100, should be paid to the federal agency.

FINDING 2009-3, REPORTING

Federal Agency: U.S. Department of Homeland Security  
Federal Program: Assistance to Firefighters Grant  
CFDA Number: 97.044  
Pass-Through Entity: Direct

The Township Trustee did not file the financial and performance report within 90 days from the end of the grant.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

44 CFR 13.41(b)(4) states in part: "Final reports will be due 90 days after the expiration or termination of grant support."

44 CFR 13.41 (c) *Federal Cash Transactions Report—(1) Form.* (i) For grants paid by letter or credit, Treasury check advances or electronic transfer of funds, the grantee will submit the Standard Form 272, Federal Cash Transactions Report, and when necessary, its continuation sheet, Standard Form 272a, unless the terms of the award exempt the grantee from this requirement. (ii) These reports will be used by the Federal agency to monitor cash advanced to grantees and to obtain disbursement or outlay information for each grant from grantees. The format of the report may be adapted as appropriate when reporting is to be accomplished with the assistance of automatic data processing equipment provided that the information to be submitted is not changed in substance.

Failure to comply with federal program requirements could cause officials to jeopardize approval of future funding under federal assistance programs.

We recommended the Township Trustee design and implement internal control procedures that will ensure the timely filing of accurate reports.

WASHINGTON TOWNSHIP, MORGAN COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items were reportable.

**JOHN C. NEAL**  
**WASHINGTON TOWNSHIP TRUSTEE**  
**159 West Morgan Street**  
**Martinsville, IN 46151**  
Office (765) 342-6368  
Home (765) 342-2642

**March 24, 2010**

**Response to Audit Report**  
**For the Period Ending December 31, 2009**

**Finding No. 2009-1. Internal Controls over Financial Transactions and Reporting.**

**Corrective Action:**

Because of the nature and size of the office of Trustee as a unit of government, the most reliable and economical internal control is achieved by approval by the Township Board of all financial reports, following all laws and regulations, including requirements of the State Board of Accounts, and the availability of all financial records to the public. It is not practical or cost-effective to have multiple employees to achieve the perfect balance of internal controls. Therefore, the Township must rely on the controls set forth above and no new hires are contemplated to implement further internal control measures.

**Finding No. 2009-2. Cash Management.**

**Federal Agency:** U. S. Department of Homeland Security  
**Federal Program:** Assistance to Firefighters Grant  
**CFDA Number:** 97.044  
**Pass through Entity:** Direct

**Corrective Action:**

The Township was unaware that there was a three-day turn around when receiving Federal grant funds. The invoice for the items purchased through the grant was not received by the Township for payment until approximately 40 days after the direct deposit of the funds into the Township account, at which time the statement was promptly paid. In the future, the Township will be more aware of financial requirements when applying for and receiving Federal grants. In this particular instance, the Township has offered the sum of \$41.00 to the U. S. Treasury, representing the excess interest earned over \$100.00, as a result of the grant funds being retained in the Township account for more than the allowed three day period.

**JOHN C. NEAL**  
**WASHINGTON TOWNSHIP TRUSTEE**  
**159 West Morgan Street**  
**Martinsville, IN 46151**  
Office (765) 342-6368  
Home (765) 342-2642

**March 24, 2010**

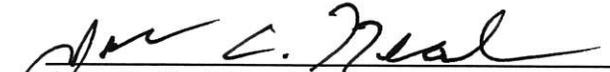
Page Two

**Finding No. 2009-3. Reporting.**

**Corrective Action:**

Finding No. 2009-3 also deals with the above Federal grant and is the result of the failure to file the closing report within ninety (90) days of the expiration or termination of the grant support. In the future, the Township will be more diligent in complying with all requirements of the grant process, including timely reporting, so as not to jeopardize approval of future awards under Federal grant programs.

Dated: March 24, 2010

  
\_\_\_\_\_  
John C. Neal, Trustee  
Washington Township Trustee

  
\_\_\_\_\_  
Cathy I. Neal, Clerk  
Washington Township Trustee

WASHINGTON TOWNSHIP, MORGAN COUNTY  
EXIT CONFERENCE

The contents of this report were discussed on March 24, 2010, with John C. Neal, Trustee; and Cathy I. Neal, Township Clerk. The officials concurred with our audit findings.