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

AUDIT REPORT

OF

TOWN OF WINDFALL

TIPTON COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
09/27/2010

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	K. Ann Riffe Joni Pearson	01-01-08 to 12-31-09 01-01-10 to 12-31-11
President of the Town Council	Lonnie Kinder Jack Baugher	01-01-08 to 11-30-09 12-01-09 to 12-31-10
Superintendent of Utilities	Terry Cooper	01-01-08 to 12-31-10



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

TO: THE OFFICIALS OF THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

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

Except as discussed in the following paragraph, 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.

Management has not included the Statement of Activities and Net Assets – Cash and Investment Basis in the Town's financial statements, which is required to be presented as part of the Town's basic financial statements. The amount by which this departure would affect the net assets, receipts and disbursement of the governmental and business-type activities is not reasonably determinable.

As discussed in Note I, the Town 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, because of the effects of the matters discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in all material respects, the respective cash and investment balances of the governmental activities and the business-type activities of the Town 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 addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of each major fund, and the aggregate remaining fund information of the Town 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.

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

In accordance with Government Auditing Standards, we have also issued a report dated June 29, 2010, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town'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 Schedules of Funding Progress, are not required parts of the basic financial statements but are 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 Town has not presented Management's Discussion and Analysis, Schedule of Contributions From the Employer and Other Contributing Entities, 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 Town'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 the schedule.

STATE BOARD OF ACCOUNTS

June 29, 2010



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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 THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windfall (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 29, 2010. The opinions to the governmental and business-type financial statements were adverse due to the lack of the presentation of the Statement of Activities and Net Assets – Cash and Investment Basis. The opinions to each major fund and the aggregate remaining fund information were unqualified. 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 Town'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 Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town'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 Town'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 Town'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 Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, Town Council, 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

June 29, 2010

TOWN OF WINDFALL
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

	General	Motor Vehicle Highway	County Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 98,705	\$ 14,650	\$ -	\$ 20,883	\$ 134,238
Licenses and permits	108	-	-	100	208
Intergovernmental	68,649	30,494	17,974	19,024	136,141
Charges for services	-	-	-	43,526	43,526
Other	5,059	-	-	2,060	7,119
Total receipts	172,521	45,144	17,974	85,593	321,232
Disbursements:					
General government	108,050	-	1,000	1,837	110,887
Public safety	54,108	-	-	-	54,108
Highways and streets	-	41,488	-	484	41,972
Sanitation	2,335	-	-	54,750	57,085
Culture and recreation	-	-	-	260	260
Debt service:					
Principal	-	-	-	9,340	9,340
Interest	-	-	-	18,660	18,660
Capital outlay:					
Highways and streets	-	-	-	1,324	1,324
Total disbursements	164,493	41,488	1,000	86,655	293,636
Excess (deficiency) of receipts over disbursements	8,028	3,656	16,974	(1,062)	27,596
Other financing sources (uses):					
Transfers in	77	-	-	35,895	35,972
Transfers out	-	-	(34,885)	(1,087)	(35,972)
Total other financing sources (uses)	77	-	(34,885)	34,808	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,105	3,656	(17,911)	33,746	27,596
Cash and investment fund balance - beginning	66,912	60,395	120,531	87,256	335,094
Cash and investment fund balance - ending	<u>\$ 75,017</u>	<u>\$ 64,051</u>	<u>\$ 102,620</u>	<u>\$ 121,002</u>	<u>\$ 362,690</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 75,017	\$ -	\$ 102,620	\$ 39,574	\$ 217,211
Restricted assets:					
Cash and investments	-	64,051	-	81,428	145,479
Total cash and investment assets - December 31	<u>\$ 75,017</u>	<u>\$ 64,051</u>	<u>\$ 102,620</u>	<u>\$ 121,002</u>	<u>\$ 362,690</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	1,633	\$ 1,633
Highways and streets	-	64,051	-	30,952	95,003
Sanitation	-	-	-	1,920	1,920
Culture and recreation	-	-	-	5,680	5,680
Debt service	-	-	-	2,535	2,535
Capital outlay	-	-	-	12,460	12,460
Other purposes	-	-	-	28,803	28,803
Unrestricted	75,017	-	102,620	37,019	214,656
Total cash and investment fund balance - December 31	<u>\$ 75,017</u>	<u>\$ 64,051</u>	<u>\$ 102,620</u>	<u>\$ 121,002</u>	<u>\$ 362,690</u>

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

TOWN OF WINDFALL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 209,128	\$ -	\$ 209,128
Flat rate receipts		148,933	148,933
Other	66,044	-	66,044
	<u>275,172</u>	<u>148,933</u>	<u>424,105</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	3,901,935	-	3,901,935
Salaries and wages	2,483	-	2,483
Employee pensions and benefits	3,676	46,046	49,722
Purchased power	22,234	2,504	24,738
Chemicals	3,490	124	3,614
Material and supplies	3,661	8,631	12,292
Contractual services	-	5,593	5,593
Insurance disbursements	5,217	-	5,217
Miscellaneous disbursements	65,077	13,631	78,708
	<u>4,007,773</u>	<u>76,529</u>	<u>4,084,302</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(3,732,601)</u>	<u>72,404</u>	<u>(3,660,197)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	909	365	1,274
Debt service of principal	<u>(24,779)</u>	<u>(47,908)</u>	<u>(72,687)</u>
Total nonoperating receipts (disbursements)	<u>(23,870)</u>	<u>(47,543)</u>	<u>(71,413)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(3,756,471)</u>	<u>24,861</u>	<u>(3,731,610)</u>
Capital contributions	3,904,940	-	3,904,940
Transfers in	115,934	-	115,934
Transfers out	<u>(115,934)</u>	<u>-</u>	<u>(115,934)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>148,469</u>	<u>24,861</u>	<u>173,330</u>
Cash and investment fund balance - beginning	<u>166,744</u>	<u>(6,212)</u>	<u>160,532</u>
Cash and investment fund balance - ending	<u>\$ 315,213</u>	<u>\$ 18,649</u>	<u>\$ 333,862</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 187,772	\$ 18,649	\$ 206,421
Restricted assets:			
Cash and investments	<u>127,441</u>	<u>-</u>	<u>127,441</u>
Total cash and investment assets - December 31	<u>\$ 315,213</u>	<u>\$ 18,649</u>	<u>\$ 333,862</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 92,673	\$ -	\$ 92,673
Other purposes	34,768	-	34,768
Unrestricted	<u>187,772</u>	<u>18,649</u>	<u>206,421</u>
Total cash and investment fund balance - December 31	<u>\$ 315,213</u>	<u>\$ 18,649</u>	<u>\$ 333,862</u>

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

TOWN OF WINDFALL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2008

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (105,710)</u>

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

TOWN OF WINDFALL
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

	General	Motor Vehicle Highway	County Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 117,575	\$ -	\$ -	\$ -	\$ 117,575
Licenses and permits	59	-	-	1,060	1,119
Intergovernmental	71,783	27,916	17,978	43,038	160,715
Charges for services	1,200	-	-	27,738	28,938
Fines and forfeits	25	-	-	8	33
Other	739	-	-	2,762	3,501
Total receipts	191,381	27,916	17,978	74,606	311,881
Disbursements:					
General government	97,816	-	18,426	175	116,417
Public safety	66,693	-	6,871	-	73,564
Highways and streets	-	49,676	48,871	1,032	99,579
Sanitation	175	-	-	43,373	43,548
Culture and recreation	-	-	-	417	417
Debt service:					
Principal	-	-	-	9,400	9,400
Interest	-	-	-	18,100	18,100
Capital outlay:					
General government	6,397	-	-	-	6,397
Highways and streets	-	-	-	24,654	24,654
Total disbursements	171,081	49,676	74,168	97,151	392,076
Excess (deficiency) of receipts over disbursements	20,300	(21,760)	(56,190)	(22,545)	(80,195)
Cash and investment fund balance - beginning	75,017	64,051	102,620	121,002	362,690
Cash and investment fund balance - ending	<u>\$ 95,317</u>	<u>\$ 42,291</u>	<u>\$ 46,430</u>	<u>\$ 98,457</u>	<u>\$ 282,495</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 95,317	\$ -	\$ 46,430	\$ 28,581	\$ 170,328
Restricted assets:					
Cash and investments	-	42,291	-	69,876	112,167
Total cash and investment assets - December 31	<u>\$ 95,317</u>	<u>\$ 42,291</u>	<u>\$ 46,430</u>	<u>\$ 98,457</u>	<u>\$ 282,495</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 2,701	\$ 2,701
Highways and streets	-	42,291	-	33,057	75,348
Sanitation	-	-	-	(13,715)	(13,715)
Culture and recreation	-	-	-	7,850	7,850
Debt service	-	-	-	6,333	6,333
Capital outlay	-	-	-	9,989	9,989
Other purposes	-	-	-	28,803	28,803
Unrestricted	95,317	-	46,430	23,439	165,186
Total cash and investment fund balance - December 31	<u>\$ 95,317</u>	<u>\$ 42,291</u>	<u>\$ 46,430</u>	<u>\$ 98,457</u>	<u>\$ 282,495</u>

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

TOWN OF WINDFALL
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For The Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 382,616	\$ -	\$ 382,616
Flat rate receipts	-	94,341	94,341
Other	4,750	-	4,750
	<u>387,366</u>	<u>94,341</u>	<u>481,707</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	3,474	-	3,474
Employee pensions and benefits	15,207	26,055	41,262
Purchased power	20,088	6,680	26,768
Chemicals	2,537	2,048	4,585
Material and supplies	46,403	-	46,403
Contractual services	607,985	970	608,955
Insurance disbursements	7,741	5,942	13,683
Miscellaneous disbursements	103,186	20,661	123,847
	<u>806,621</u>	<u>62,356</u>	<u>868,977</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(419,255)</u>	<u>31,985</u>	<u>(387,270)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	340	141	481
Debt service of principal	<u>(166,587)</u>	<u>(8,451)</u>	<u>(175,038)</u>
Total nonoperating receipts (disbursements)	<u>(166,247)</u>	<u>(8,310)</u>	<u>(174,557)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(585,502)	23,675	(561,827)
Capital contributions	572,734	-	572,734
Transfers in	73,913	-	73,913
Transfers out	<u>(73,913)</u>	<u>-</u>	<u>(73,913)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(12,768)	23,675	10,907
Cash and investment fund balance - beginning	<u>315,213</u>	<u>18,649</u>	<u>333,862</u>
Cash and investment fund balance - ending	<u>\$ 302,445</u>	<u>\$ 42,324</u>	<u>\$ 344,769</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 302,445</u>	<u>\$ 42,324</u>	<u>\$ 344,769</u>
Total cash and investment assets - December 31	<u>\$ 302,445</u>	<u>\$ 42,324</u>	<u>\$ 344,769</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Other purposes	\$ 45,871	\$ -	\$ 45,871
Unrestricted	<u>256,574</u>	<u>42,324</u>	<u>298,898</u>
Total cash and investment fund balance - December 31	<u>\$ 302,445</u>	<u>\$ 42,324</u>	<u>\$ 344,769</u>

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

TOWN OF WINDFALL
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ (179,599)</u>

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

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS

I. 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 the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

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

Primary Government: Town of Windfall

In determining the financial reporting entity, the Town 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. Management has not presented the Government-Wide Financial Statements for the audit period.

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.

The Town reports the following major governmental funds:

The general 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 motor vehicle highway fund is used to account for the collection of property and motor fuel taxes used to repair and maintain town streets.

The county economic development income tax fund is used to account for local income taxes collected by Tipton County government.

The Town reports the following major enterprise funds:

The water utility funds account for the operation of the water distribution system.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

The wastewater utility funds account for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for payroll withholdings authorities.

C. Measurement Focus and Basis of Accounting

The 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 Town 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.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town and its enterprise funds. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

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

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Town 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 February 15. 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 Town 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

Fund Financial Statements

Governmental and proprietary fund equity is classified as fund balance.

E. Receipts and Disbursements

1. 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.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all receipts and disbursements not related to capital and related financing, noncapital financing, or investing activities.

F. Internal and Interfund Activities

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.

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 Town 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 Town receives approval of the Indiana Department of Local Government Finance.

The Town'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 and 2009, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines as authorized by state statute:

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund	2008	2009
Trash Fund	\$ -	\$ 13,715
Payroll Fund	105,710	179,599

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 and Investments

1. 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 Town does not have a deposit policy for custodial credit risk. At December 31, 2009, the Town had deposit balances in the amount of \$427,834.

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.

2. Investments

As of December 31, 2009, the Town had no investments.

Statutory Authorization for Investments

IC 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust has a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town's purchase and guaranteed resale of any interest-bearing obligations issued or fully insured or guaranteed by the United States of America, a United States of America government agency, an instrumentality of the United States of America, or a federal government sponsored enterprise. The repurchase agreement is considered to have a stated final maturity of one day. This agreement must be fully collateralized by interest-bearing obligations as determined by their current market value.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town must follow state statute and limit the stated final maturities of the investments to no more than two years. The Town does not have a formal investment policy for interest rate risk for investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The distribution of securities with credit ratings is summarized below. The Town does not have a formal investment policy for credit risk for investments.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2008 and 2009, were as follows:

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Transfer From	Transfer To	2008
County Economic Development Income Tax Fund	Other governmental funds	\$ 34,885
Other governmental funds	General Fund	77
Other governmental funds	Other governmental funds	<u>1,010</u>
Total		<u>\$ 35,972</u>

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

IV. Other Information

A. Risk Management

The Town 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.

During 2002, the Town joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for 515 member governmental entities. This risk pool was formed in the 1992. The purpose of the risk pool is to provide a medium for the funding and administration of insurance costs related to job-related illnesses and injuries. The Town pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On May 8, 1996, the Town Council adopted Ordinance 96-05-08 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 25, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on June 15, 2000.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Receipts Pledged

Wastewater Utility Receipts Pledged

The Town has pledged future revenues, net of specified operating expenditures, to repay revenue bonds issued in 2000. Proceeds from the bonds provided financing for Wastewater system improvements. The bonds are payable solely from net revenues and are payable through 2021.

D. Pension Plan

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

Public Employees' Retirement Fund

Plan Description

The Town 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 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 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

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 Town during the period were \$15,804.

TOWN OF WINDFALL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-07	\$ 105,592	\$ 163,012	\$ (57,420)	65%	\$ 75,642	(76%)
07-01-08	120,470	168,590	(48,120)	71%	71,618	(67%)
07-01-09	133,150	193,509	(60,359)	69%	78,451	(77%)

TOWN OF WINDFALL
 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

	Local Road and Street	Trash	Community Center Rent	Park Donation	Riverboat	Rainy Day	Local Law Enforcement Continuing Education	Doggett House
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	100	-
Intergovernmental	3,299	-	-	-	4,467	5,436	-	-
Charges for services	-	43,526	-	-	-	-	-	-
Other	-	-	2,035	-	-	-	-	-
Total receipts	3,299	43,526	2,035	-	4,467	5,436	100	-
Disbursements:								
General government	-	-	1,334	-	-	478	-	-
Highways and streets	484	-	-	-	-	-	-	-
Sanitation	-	54,750	-	-	-	-	-	-
Culture and recreation	-	-	-	260	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
Highways and streets	-	-	-	-	-	-	-	-
Total disbursements	484	54,750	1,334	260	-	478	-	-
Excess (deficiency) of receipts over disbursements	2,815	(11,224)	701	(260)	4,467	4,958	100	-
Other financing sources (uses):								
Transfers in	-	34,885	-	-	-	-	-	1,010
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	34,885	-	-	-	-	-	1,010
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,815	23,661	701	(260)	4,467	4,958	100	1,010
Cash and investment fund balance - beginning	28,137	(21,741)	1,854	3,385	22,452	5,142	1,533	(1,010)
Cash and investment fund balance - ending	\$ 30,952	\$ 1,920	\$ 2,555	\$ 3,125	\$ 26,919	\$ 10,100	\$ 1,633	\$ -
Cash and Investment Assets - December 31								
Cash and investments	\$ -	\$ -	\$ 2,555	\$ -	\$ 26,919	\$ 10,100	\$ -	\$ -
Restricted assets:								
Cash and investments	30,952	1,920	-	3,125	-	-	1,633	-
Total cash and investment assets - December 31	\$ 30,952	\$ 1,920	\$ 2,555	\$ 3,125	\$ 26,919	\$ 10,100	\$ 1,633	\$ -
Cash and Investment Fund Balance - December 31								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,633	\$ -
Highways and streets	30,952	-	-	-	-	-	-	-
Sanitation	-	1,920	-	-	-	-	-	-
Culture and recreation	-	-	2,555	3,125	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	26,919	10,100	-	-
Total cash and investment fund balance - December 31	\$ 30,952	\$ 1,920	\$ 2,555	\$ 3,125	\$ 26,919	\$ 10,100	\$ 1,633	\$ -

TOWN OF WINDFALL
 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
 (Continued)

	Community Center Donation	Community Service	Ordinance Violation	Xmas	Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 20,883	\$ -	\$ -	\$ 20,883
Licenses and permits	-	-	-	-	-	-	-	100
Intergovernmental	-	-	-	-	3,507	2,315	-	19,024
Charges for services	-	-	-	-	-	-	-	43,526
Other	-	-	25	-	-	-	-	2,060
Total receipts	-	-	25	-	24,390	2,315	-	85,593
Disbursements:								
General government	-	-	-	25	-	-	-	1,837
Highways and streets	-	-	-	-	-	-	-	484
Sanitation	-	-	-	-	-	-	-	54,750
Culture and recreation	-	-	-	-	-	-	-	260
Debt service:								
Principal	-	-	-	-	9,340	-	-	9,340
Interest	-	-	-	-	18,660	-	-	18,660
Capital outlay:								
Highways and streets	-	-	-	-	-	1,324	-	1,324
Total disbursements	-	-	-	25	28,000	1,324	-	86,655
Excess (deficiency) of receipts over disbursements	-	-	25	(25)	(3,610)	991	-	(1,062)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	35,895
Transfers out	(1,010)	(47)	-	(30)	-	-	-	(1,087)
Total other financing sources (uses)	(1,010)	(47)	-	(30)	-	-	-	34,808
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(1,010)	(47)	25	(55)	(3,610)	991	-	33,746
Cash and investment fund balance - beginning	29,069	47	719	55	6,145	6,815	4,654	87,256
Cash and investment fund balance - ending	<u>\$ 28,059</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 2,535</u>	<u>\$ 7,806</u>	<u>\$ 4,654</u>	<u>\$ 121,002</u>
Cash and Investment Assets - December 31								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,574
Restricted assets:								
Cash and investments	28,059	-	744	-	2,535	7,806	4,654	81,428
Total cash and investment assets - December 31	<u>\$ 28,059</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 2,535</u>	<u>\$ 7,806</u>	<u>\$ 4,654</u>	<u>\$ 121,002</u>
Cash and Investment Fund Balance - December 31								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,633
Highways and streets	-	-	-	-	-	-	-	30,952
Sanitation	-	-	-	-	-	-	-	1,920
Culture and recreation	-	-	-	-	-	-	-	5,680
Debt service	-	-	-	-	2,535	-	-	2,535
Capital outlay	-	-	-	-	-	7,806	4,654	12,460
Other purposes	28,059	-	744	-	-	-	-	28,803
Unrestricted	-	-	-	-	-	-	-	37,019
Total cash and investment fund balance - December 31	<u>\$ 28,059</u>	<u>\$ -</u>	<u>\$ 744</u>	<u>\$ -</u>	<u>\$ 2,535</u>	<u>\$ 7,806</u>	<u>\$ 4,654</u>	<u>\$ 121,002</u>

TOWN OF WINDFALL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2008

	Payroll	Elston Insurance	Totals
Additions:			
Agency fund additions	\$ 80,984	\$ -	\$ 80,984
Deductions:			
Agency fund deductions	171,540	2,844	174,384
Deficiency of total additions over total deductions	(90,556)	(2,844)	(93,400)
Cash and investment fund balance - beginning	(15,154)	2,844	(12,310)
Cash and investment fund balance - ending	\$ (105,710)	\$ -	\$ (105,710)

TOWN OF WINDFALL
 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

	Local Road and Street	Trash	Community Center Rent	Park Donation	Riverboat	Rainy Day	Local Law Enforcement Continuing Education
Receipts:							
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,060
Intergovernmental	3,137	-	-	-	4,455	1,965	-
Charges for services	-	27,738	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	8
Other	-	-	2,762	-	-	-	-
Total receipts	3,137	27,738	2,762	-	4,455	1,965	1,068
Disbursements:							
General government	-	-	175	-	-	-	-
Highways and streets	1,032	-	-	-	-	-	-
Sanitation	-	43,373	-	-	-	-	-
Culture and recreation	-	-	-	417	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Highways and streets	-	-	-	-	10,000	10,000	-
Total disbursements	1,032	43,373	175	417	10,000	10,000	-
Excess (deficiency) of receipts over disbursements	2,105	(15,635)	2,587	(417)	(5,545)	(8,035)	1,068
Cash and investment fund balance - beginning	30,952	1,920	2,555	3,125	26,919	10,100	1,633
Cash and investment fund balance - ending	<u>\$ 33,057</u>	<u>\$ (13,715)</u>	<u>\$ 5,142</u>	<u>\$ 2,708</u>	<u>\$ 21,374</u>	<u>\$ 2,065</u>	<u>\$ 2,701</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ 5,142	\$ -	\$ 21,374	\$ 2,065	\$ -
Restricted assets:							
Cash and investments	33,057	(13,715)	-	2,708	-	-	2,701
Total cash and investment assets - December 31	<u>\$ 33,057</u>	<u>\$ (13,715)</u>	<u>\$ 5,142</u>	<u>\$ 2,708</u>	<u>\$ 21,374</u>	<u>\$ 2,065</u>	<u>\$ 2,701</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,701
Highways and streets	33,057	-	-	-	-	-	-
Sanitation	-	(13,715)	-	-	-	-	-
Culture and recreation	-	-	5,142	2,708	-	-	-
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	21,374	2,065	-
Total cash and investment fund balance - December 31	<u>\$ 33,057</u>	<u>\$ (13,715)</u>	<u>\$ 5,142</u>	<u>\$ 2,708</u>	<u>\$ 21,374</u>	<u>\$ 2,065</u>	<u>\$ 2,701</u>

TOWN OF WINDFALL
 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
 (Continued)

	Community Center Donation	Ordinance Violation	Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:						
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,060
Intergovernmental	-	-	31,298	2,183	-	43,038
Charges for services	-	-	-	-	-	27,738
Fines and forfeits	-	-	-	-	-	8
Other	-	-	-	-	-	2,762
Total receipts	-	-	31,298	2,183	-	74,606
Disbursements:						
General government	-	-	-	-	-	175
Highways and streets	-	-	-	-	-	1,032
Sanitation	-	-	-	-	-	43,373
Culture and recreation	-	-	-	-	-	417
Debt service:						
Principal	-	-	9,400	-	-	9,400
Interest	-	-	18,100	-	-	18,100
Capital outlay:						
Highways and streets	-	-	-	-	4,654	24,654
Total disbursements	-	-	27,500	-	4,654	97,151
Excess (deficiency) of receipts over disbursements	-	-	3,798	2,183	(4,654)	(22,545)
Cash and investment fund balance - beginning	28,059	744	2,535	7,806	4,654	121,002
Cash and investment fund balance - ending	<u>\$ 28,059</u>	<u>\$ 744</u>	<u>\$ 6,333</u>	<u>\$ 9,989</u>	<u>\$ -</u>	<u>\$ 98,457</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,581
Restricted assets:						
Cash and investments	28,059	744	6,333	9,989	-	69,876
Total cash and investment assets - December 31	<u>\$ 28,059</u>	<u>\$ 744</u>	<u>\$ 6,333</u>	<u>\$ 9,989</u>	<u>\$ -</u>	<u>\$ 98,457</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,701
Highways and streets	-	-	-	-	-	33,057
Sanitation	-	-	-	-	-	(13,715)
Culture and recreation	-	-	-	-	-	7,850
Debt service	-	-	6,333	-	-	6,333
Capital outlay	-	-	-	9,989	-	9,989
Other purposes	28,059	744	-	-	-	28,803
Unrestricted	-	-	-	-	-	23,439
Total cash and investment fund balance - December 31	<u>\$ 28,059</u>	<u>\$ 744</u>	<u>\$ 6,333</u>	<u>\$ 9,989</u>	<u>\$ -</u>	<u>\$ 98,457</u>

TOWN OF WINDFALL
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUNDS
 For The Year Ended December 31, 2009

	Payroll	Totals
Additions:		
Agency fund additions	\$ 95,352	\$ 95,352
Deductions:		
Agency fund deductions	169,241	169,241
Deficiency of total additions over total deductions	(73,889)	(73,889)
Cash and investment fund balance - beginning	(105,710)	(105,710)
Cash and investment fund balance - ending	\$ (179,599)	\$ (179,599)

TOWN OF WINDFALL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

The Town and Utilities have entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
Community Center	<u>\$ 298,101</u>	<u>\$ 27,000</u>
Business-type activities:		
Water Utility:		
USDA System Improvement Loan	<u>\$ 3,345,691</u>	<u>\$ 179,002</u>
Wastewater Utility:		
Revenue bonds:		
Wastewater System Improvement	221,462	61,146
State Revolving Loan	<u>238,000</u>	<u>16,902</u>
Total Wastewater Utility	<u>459,462</u>	<u>78,048</u>
Total business-type activities debt	<u>\$ 3,805,153</u>	<u>\$ 257,050</u>

TOWN OF WINDFALL
OTHER REPORT

The audit report presented herein was prepared in addition to another official report prepared for the individual Town office listed below:

Clerk-Treasurer

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Windfall (Town) 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 Town'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 Town's management. Our responsibility is to express an opinion on the Town'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 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. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town 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.

Internal Control Over Compliance

The management of the Town 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 Town'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 Town'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)

A control deficiency in a Town'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.

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.

Our consideration of the internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

This report is intended solely for the information and use of the Town's management, Town Council, 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

June 29, 2010

TOWN OF WINDFALL
 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 AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities				
Water System Improvements Project	10.760	15-068-351837885	\$ 2,995,491	\$ 566,203
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii				
Community Focus Fund	14.228	CF-06-229	143,540	-
Total federal awards expended			<u>\$ 3,139,031</u>	<u>\$ 566,203</u>

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

TOWN OF WINDFALL
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Windfall (Town) 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 Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF WINDFALL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Adverse

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?	none reported

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
10.760	Water and Wastewater Disposal Systems for Rural Communities

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 Town related to financial transactions and reporting. We believe the following deficiencies constitute material weaknesses:

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

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

2. **Preparing Financial Statements:** Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the Town's audited financial statements and then determining how those identified risks should be managed. The Town has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including notes to the financial statements.
3. **Monitoring of Controls:** Effective internal control over financial reporting requires the Town Board to monitor and assess the quality of the Town's system of internal control. The Town Board has not performed either an ongoing or separate evaluation of their system of internal controls. The failure to exercise their oversight responsibility places the Town at risk that controls may not be designed or operating effectively to provide reasonable assurance that controls will prevent or detect material misstatements in a timely manner. Additionally, the Town has no process to identify or communicate corrective actions to improve controls.

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 Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

FINDING 2009-2. EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Program: Water and Wastewater Disposal Systems for Rural Communities
CFDA Number: 10.760
Pass-Through Entity: N/A
Auditee Contact Person: Joni Pearson
Title of Contact Person: Clerk Treasurer, Town of Windfall
Phone Number: 765-945-8381

The Town of Windfall obtained grant funds for construction and improvement of the waterworks system in the Town and, therefore, is responsible for the monitoring of equipment and real property obtained under this grant. The Grant Agreement signed, requires the County to follow all of the applicable Code of Federal Regulations.

The Town has not performed an inventory of assets or maintained an adequate accounting of assets.

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

7CFR3016.32(d) states in part:

"Management requirements. Procedures for managing equipment (including replacement equipment), whether acquired in whole or in part with grant funds, until disposition takes place will, as a minimum, meet the following requirements: (1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property. (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

From our review of the supporting documentation and inquiry of unit personnel, we conclude that current monitoring of equipment and real property management does not meet the requirements as outlined. We recommend that the town perform the required inventories and maintain adequate asset records.

TOWN OF WINDFALL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

THE CIVIL TOWN OF
WINDFALL
WINDFALL, INDIANA 46076

CORRECTIVE ACTION PLAN

FINDING 2009-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

Auditee Contact Person: Joni Pearson
Contact Person Title: Clerk Treasurer
Contact Phone Number: 765-945-8381

The Town of Windfall will assess their procedures and attempt to institute processes that would involve, at least on a sample basis, reviews of the duties being performed by the Clerk Treasurer, including, but not limited to preparing financial statements. The Town will also monitor the system of internal control in the future to determine the effectiveness and efficiency of the systems in place.

The Town is a very small governmental unit and management has determined that the cost associated with employing additional staff necessary to properly segregate the duties would outweigh the benefits of additional internal control structure. Management acknowledges and assumes the risk inherent with the current design of the Clerk Treasurer's office.



Joni Pearson
Clerk Treasurer
Town of Windfall

THE CIVIL TOWN OF
WINDFALL
WINDFALL, INDIANA 46076

CORRECTIVE ACTION PLAN

FINDING 2009-2, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Program: Water and Wastewater Disposal Systems for Rural Communities
CFDA Number: 10.760
Pass-Through Entity: N/A
Auditee Contact Person: Joni Pearson
Title of Contact Person: Clerk Treasurer
Contact Phone Number: 765-945-8381

The Town of Windfall will institute processes that would involve performing an inventory of assets and maintaining adequate accounting records. The Town will also monitor the procedures in the future to determine the effectiveness and efficiency of the systems in place.



Joni Pearson
Joni Pearson
Clerk Treasurer
Town of Windfall

TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2010, with Joni Pearson, Clerk-Treasurer.