

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

FINANCIAL STATEMENT AND  
FEDERAL SINGLE AUDIT REPORT  
OF

TOWN OF MORGANTOWN  
MORGAN COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
04/30/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Paula Smith Sharon McIntosh	12-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Don Smith Jeff Conner JoEllen Rowe	01-01-10 to 06-06-11 06-07-11 to 12-31-11 01-01-12 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MORGANTOWN, MORGAN COUNTY, INDIANA

We have audited the accompanying financial statements of the Town of Morgantown (Town), for the years ended December 31, 2010 and 2011. 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.

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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. 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 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated April 5, 2012, 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.

INDEPENDENT AUDITOR'S REPORT  
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

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

April 5, 2012



**STATE OF INDIANA**  
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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 MORGANTOWN, MORGAN COUNTY, INDIANA

We have audited the financial statements of the Town of Morgantown (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated April 5, 2012. 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1, that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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)

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, others within the entity, 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

April 5, 2012

## FINANCIAL STATEMENTS

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

TOWN OF MORGANTOWN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 217,600	\$ 603,247	\$ 566,510	\$ 254,337
Cash Change	100	-	-	100
Motor Vehicle Highway	79,513	36,713	51,054	65,172
Local Road And Street	79	9,378	-	9,457
Planning And Zoning	5,648	1,225	4,253	2,620
Law Enforcement Continuing Education	2,578	1,008	25	3,561
Rainy Day	21,078	37,753	3,810	55,021
K-9	850	-	842	8
Local Option Income Tax-Public Safety	39,657	36,938	43,097	33,498
Indiana Criminal Justice	1,023	-	1,023	-
Cumulative Capital Improvement Cigarette Tax	27,477	2,822	691	29,608
Cumulative Capital Development	39,277	3,622	14,620	28,279
County Economic Development Income Tax	1,831	40,307	32,503	9,635
Park And Recreation Improvements	341	4,798	2,462	2,677
Payroll	(170,456)	275,148	268,130	(163,438)
Wastewater Utility-Operating	27,719	285,231	302,796	10,154
Wastewater Utility-Bond And Interest	-	37,004	37,004	-
Wastewater Utility-Customer Deposit	7,311	3,104	1,560	8,855
Wastewater Utility-Debt Reserve	-	7,440	7,440	-
Water Utility-Operating	33,385	200,423	192,117	41,691
Water Utility-Customer Deposit	8,583	2,079	1,300	9,362
Totals	<u>\$ 343,594</u>	<u>\$ 1,588,240</u>	<u>\$ 1,531,237</u>	<u>\$ 400,597</u>

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

TOWN OF MORGANTOWN  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 254,337	\$ 890,010	\$ 1,010,629	\$ 133,718
Motor Vehicle Highway	65,172	35,706	49,068	51,810
Local Road and Street	9,457	9,111	10,675	7,893
Planning and Zoning	2,620	51,925	53,619	926
Law Enforcement Continuing Education	3,561	528	873	3,216
Rainy Day	55,021	-	750	54,271
K-9	8	-	8	-
Cumulative Capital Improvement Cigarette Tax	29,608	2,768	5,336	27,040
Cumulative Capital Development	28,279	3,511	11,019	20,771
County Economic Development Income Tax	9,635	35,660	8,455	36,840
Cash Change	100	-	-	100
Local Option Income Tax-Public Safety	33,498	34,435	30,305	37,628
Park and Recreation Improvements	2,677	3,328	1,770	4,235
Payroll	(163,438)	416,284	256,569	(3,723)
Wastewater Utility-Operating	10,154	718,293	723,398	5,049
Wastewater Utility-Bond and Interest	-	34,440	34,440	-
Wastewater Utility-Customer Deposit	8,855	2,626	1,924	9,557
Wastewater Utility-Debt Reserve	-	7,440	7,440	-
Water Utility-Operating	41,691	183,785	188,220	37,256
Water Utility-Customer Deposit	9,362	1,800	1,474	9,688
Totals	<u>\$ 400,597</u>	<u>\$ 2,431,650</u>	<u>\$ 2,395,972</u>	<u>\$ 436,275</u>

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

TOWN OF MORGANTOWN  
NOTES TO FINANCIAL STATEMENTS

**Note 1. Summary of Significant Accounting Policies**

*A. Reporting Entity*

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

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

*B. Basis of Accounting*

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

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

*C. Cash and Investments*

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

*D. Receipts*

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF MORGANTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

*E. Disbursements*

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

TOWN OF MORGANTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

*F. Interfund Transfers*

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

*G. Fund Accounting*

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

**Note 2. Budgets**

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

**Note 3. Property Taxes**

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

TOWN OF MORGANTOWN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**Note 4. *Deposits and Investments***

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

State statutes authorize the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

**Note 5. *Risk Management***

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

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

**Note 6. *Subsequent Event Note***

The Town reached a settlement with Bill Ward on or about February 7, 2012, concerning his termination. The settlement states that the Town must pay \$80,000.00. The payments will be split between the Rainy Day Fund and the Town's insurance. The insurance provided the Town will pay \$55,000 and the remaining \$25,000 will be paid in a lump sum from the Town's Rainy Day Fund.

A loan of \$160,100 was obtained from Peoples State Bank on March 14, 2007, with a maturity date of December 31, 2007, in anticipation of taxes to be levied and collected. The loan was not repaid on or before 30 days after the last day for the payment of the anticipated taxes. The loan was to be repaid with the June and December 2007 property taxes collected; however, this did not occur. The loan was renewed on August 31, 2008, with a maturity date of December 31, 2008, and then renewed on February 4, 2010, with a maturity date of March 1, 2011. The loan was renewed again on July 29, 2011, with a maturity date July 15, 2012. The Town plans to make payments on the loan and renew it each year until it is paid off. As of December 31, 2011, the balance due on the loan is \$91,399.69. The Town has been making payments ranging from \$2,000 to \$5,000 per month

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

	General	Cash Change	Motor Vehicle Highway	Local Road And Street	Planning And Zoning	Law Enforcement Continuing Education	Rainy Day	K-9
Cash and investments - beginning	\$ 217,600	\$ 100	\$ 79,513	\$ 79	\$ 5,648	\$ 2,578	\$ 21,078	\$ 850
Receipts:								
Taxes	177,948	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	1,225	960	-	-
Intergovernmental	369,595	-	35,943	9,378	-	-	37,753	-
Fines and forfeits	14,488	-	-	-	-	48	-	-
Utility fees	-	-	-	-	-	-	-	-
Other receipts	41,216	-	770	-	-	-	-	-
Total receipts	<u>603,247</u>	<u>-</u>	<u>36,713</u>	<u>9,378</u>	<u>1,225</u>	<u>1,008</u>	<u>37,753</u>	<u>-</u>
Disbursements:								
Personal services	136,445	-	23,051	-	-	-	-	-
Supplies	18,259	-	6,861	-	-	-	-	842
Other services and charges	15,935	-	13,314	-	3,660	25	3,810	-
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	395,871	-	7,828	-	593	-	-	-
Total disbursements	<u>566,510</u>	<u>-</u>	<u>51,054</u>	<u>-</u>	<u>4,253</u>	<u>25</u>	<u>3,810</u>	<u>842</u>
Excess (deficiency) of receipts over disbursements	<u>36,737</u>	<u>-</u>	<u>(14,341)</u>	<u>9,378</u>	<u>(3,028)</u>	<u>983</u>	<u>33,943</u>	<u>(842)</u>
Cash and investments - ending	<u>\$ 254,337</u>	<u>\$ 100</u>	<u>\$ 65,172</u>	<u>\$ 9,457</u>	<u>\$ 2,620</u>	<u>\$ 3,561</u>	<u>\$ 55,021</u>	<u>\$ 8</u>

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Local Option Income Tax-Public Safety	Indiana Criminal Justice	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	County Economic Development Income Tax	Park And Recreation Improvements	Payroll
Cash and investments - beginning	\$ 39,657	\$ 1,023	\$ 27,477	\$ 39,277	\$ 1,831	\$ 341	\$ (170,456)
Receipts:							
Taxes	36,938	-	2,822	3,622	-	3,000	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	40,307	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	1,798	275,148
Total receipts	<u>36,938</u>	<u>-</u>	<u>2,822</u>	<u>3,622</u>	<u>40,307</u>	<u>4,798</u>	<u>275,148</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	1,104	1,023	-	-	-	-	-
Other services and charges	28,500	-	271	14,620	32,503	2,462	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	13,493	-	420	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	268,130
Total disbursements	<u>43,097</u>	<u>1,023</u>	<u>691</u>	<u>14,620</u>	<u>32,503</u>	<u>2,462</u>	<u>268,130</u>
Excess (deficiency) of receipts over disbursements	<u>(6,159)</u>	<u>(1,023)</u>	<u>2,131</u>	<u>(10,998)</u>	<u>7,804</u>	<u>2,336</u>	<u>7,018</u>
Cash and investments - ending	<u>\$ 33,498</u>	<u>\$ -</u>	<u>\$ 29,608</u>	<u>\$ 28,279</u>	<u>\$ 9,635</u>	<u>\$ 2,677</u>	<u>\$ (163,438)</u>

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility-Customer Deposit	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 27,719	\$ -	\$ 7,311	\$ -	\$ 33,385	\$ 8,583	\$ 343,594
Receipts:							
Taxes	-	-	-	-	-	-	224,330
Licenses and permits	-	-	-	-	-	-	2,185
Intergovernmental	110,427	-	-	-	-	-	603,403
Fines and forfeits	-	-	-	-	-	-	14,536
Utility fees	156,648	-	3,104	-	176,105	-	335,857
Other receipts	18,156	37,004	-	7,440	24,318	2,079	407,929
Total receipts	<u>285,231</u>	<u>37,004</u>	<u>3,104</u>	<u>7,440</u>	<u>200,423</u>	<u>2,079</u>	<u>1,588,240</u>
Disbursements:							
Personal services	-	-	-	-	-	-	159,496
Supplies	-	-	-	-	-	-	28,089
Other services and charges	-	-	-	-	-	-	115,100
Debt service - principal and interest	-	-	-	7,440	-	-	7,440
Capital outlay	2,003	-	-	-	22,519	-	38,435
Utility operating expenses	-	-	1,560	-	76,891	552	79,003
Other disbursements	300,793	37,004	-	-	92,707	748	1,103,674
Total disbursements	<u>302,796</u>	<u>37,004</u>	<u>1,560</u>	<u>7,440</u>	<u>192,117</u>	<u>1,300</u>	<u>1,531,237</u>
Excess (deficiency) of receipts over disbursements	<u>(17,565)</u>	<u>-</u>	<u>1,544</u>	<u>-</u>	<u>8,306</u>	<u>779</u>	<u>57,003</u>
Cash and investments - ending	<u>\$ 10,154</u>	<u>\$ -</u>	<u>\$ 8,855</u>	<u>\$ -</u>	<u>\$ 41,691</u>	<u>\$ 9,362</u>	<u>\$ 400,597</u>

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road and Street	Planning and Zoning	Law Enforcement Continuing Education	Rainy Day	K-9
Cash and investments - beginning	\$ 254,337	\$ 65,172	\$ 9,457	\$ 2,620	\$ 3,561	\$ 55,021	\$ 8
Receipts:							
Taxes	167,421	9,334	-	-	148	-	-
Licenses and permits	170	-	-	1,925	380	-	-
Intergovernmental	153,158	26,372	9,111	50,000	-	-	-
Fines and forfeits	13,277	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	555,984	-	-	-	-	-	-
Total receipts	<u>890,010</u>	<u>35,706</u>	<u>9,111</u>	<u>51,925</u>	<u>528</u>	<u>-</u>	<u>-</u>
Disbursements:							
Personal services	154,964	23,268	-	-	-	-	-
Supplies	19,452	15,305	-	-	-	-	-
Other services and charges	93,513	2,744	10,675	53,619	873	750	8
Debt service - principal and interest	24,000	-	-	-	-	-	-
Capital outlay	11,450	7,751	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	707,250	-	-	-	-	-	-
Total disbursements	<u>1,010,629</u>	<u>49,068</u>	<u>10,675</u>	<u>53,619</u>	<u>873</u>	<u>750</u>	<u>8</u>
Excess (deficiency) of receipts over disbursements	<u>(120,619)</u>	<u>(13,362)</u>	<u>(1,564)</u>	<u>(1,694)</u>	<u>(345)</u>	<u>(750)</u>	<u>(8)</u>
Cash and investments - ending	<u>\$ 133,718</u>	<u>\$ 51,810</u>	<u>\$ 7,893</u>	<u>\$ 926</u>	<u>\$ 3,216</u>	<u>\$ 54,271</u>	<u>\$ -</u>

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Cumulative Capital Improvement Cigarette Tax	Cumulative Capital Development	County Economic Development Income Tax	Cash Change	Local Option Income Tax-Public Safety	Park and Recreation Improvements	Payroll
Cash and investments - beginning	\$ 29,608	\$ 28,279	\$ 9,635	\$ 100	\$ 33,498	\$ 2,677	\$ (163,438)
Receipts:							
Taxes	2,768	3,220	-	-	34,435	-	-
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	291	35,660	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	3,328	416,284
Total receipts	<u>2,768</u>	<u>3,511</u>	<u>35,660</u>	<u>-</u>	<u>34,435</u>	<u>3,328</u>	<u>416,284</u>
Disbursements:							
Personal services	-	-	-	-	-	-	256,569
Supplies	-	-	-	-	1,405	-	-
Other services and charges	5,336	11,019	8,455	-	28,900	1,770	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>5,336</u>	<u>11,019</u>	<u>8,455</u>	<u>-</u>	<u>30,305</u>	<u>1,770</u>	<u>256,569</u>
Excess (deficiency) of receipts over disbursements	<u>(2,568)</u>	<u>(7,508)</u>	<u>27,205</u>	<u>-</u>	<u>4,130</u>	<u>1,558</u>	<u>159,715</u>
Cash and investments - ending	<u>\$ 27,040</u>	<u>\$ 20,771</u>	<u>\$ 36,840</u>	<u>\$ 100</u>	<u>\$ 37,628</u>	<u>\$ 4,235</u>	<u>\$ (3,723)</u>

TOWN OF MORGANTOWN  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011  
 (Continued)

	Wastewater Utility-Operating	Wastewater Utility-Bond and Interest	Wastewater Utility-Customer Deposit	Wastewater Utility-Debt Reserve	Water Utility-Operating	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 10,154	\$ -	\$ 8,855	\$ -	\$ 41,691	\$ 9,362	\$ 400,597
Receipts:							
Taxes	-	-	-	-	-	-	217,326
Licenses and permits	-	-	-	-	-	-	2,475
Intergovernmental	545,370	-	-	-	-	-	819,962
Fines and forfeits	-	-	-	-	-	-	13,277
Utility fees	172,476	-	-	-	181,938	-	354,414
Other receipts	447	34,440	2,626	7,440	1,847	1,800	1,024,196
Total receipts	<u>718,293</u>	<u>34,440</u>	<u>2,626</u>	<u>7,440</u>	<u>183,785</u>	<u>1,800</u>	<u>2,431,650</u>
Disbursements:							
Personal services	-	-	-	-	-	-	434,801
Supplies	-	-	-	-	-	-	36,162
Other services and charges	-	-	-	-	-	-	217,662
Debt service - principal and interest	41,881	-	-	-	31,387	-	97,268
Capital outlay	587,866	-	-	-	16,152	-	623,219
Utility operating expenses	88,851	-	-	-	118,072	-	206,923
Other disbursements	4,800	34,440	1,924	7,440	22,609	1,474	779,937
Total disbursements	<u>723,398</u>	<u>34,440</u>	<u>1,924</u>	<u>7,440</u>	<u>188,220</u>	<u>1,474</u>	<u>2,395,972</u>
Excess (deficiency) of receipts over disbursements	<u>(5,105)</u>	<u>-</u>	<u>702</u>	<u>-</u>	<u>(4,435)</u>	<u>326</u>	<u>35,678</u>
Cash and investments - ending	<u>\$ 5,049</u>	<u>\$ -</u>	<u>\$ 9,557</u>	<u>\$ -</u>	<u>\$ 37,256</u>	<u>\$ 9,688</u>	<u>\$ 436,275</u>

TOWN OF MORGANTOWN  
AUDIT RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

As stated in the prior Examination Report B38222, the Town did not properly update the capital asset records for assets purchased and disposed of in the years subsequent to 2007.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***ERRORS ON CLAIMS***

As stated in the prior Examination Report B38222, the following deficiency was noted on claims during the audit period:

All claims did not have board approval.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services.

(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

***PRESCRIBED FORMS***

The following prescribed or approved forms were not always in use: General Form 99 and Payroll Schedule and Voucher.

Officials and employees are required to use State Boards of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MORGANTOWN  
 AUDIT RESULTS AND COMMENTS  
 (Continued)

**APPROPRIATIONS**

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2010	\$ 139,528
General	2011	202,384
Local Road and Street	2011	5,132
Cumulative Capital Development	2011	336

A similar comment appeared in prior audit reports.

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

**PAYROLL DEDUCTIONS**

Annual payments of \$1,000 to Town Council members were made without payroll deductions for taxes for years 2010 and 2011.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Libraries, Chapter 4)

**OPTICAL IMAGES OF CHECKS**

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3(a) concerning optical imaging of checks states in part:

". . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

TOWN OF MORGANTOWN  
AUDIT RESULTS AND COMMENTS  
(Continued)

Furthermore, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

**OVERDRAWN FUND BALANCES**

The Payroll Fund was overdrawn in the amount of \$163,438 and \$3,723 for as of December 31, 2010 and 2011, respectively. A similar comment appeared in prior audit reports.

The fund 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 Cities and Towns, Chapter 7)

**LOAN BETWEEN TOWN FUNDS**

Temporary loans of \$50,000 and \$15,000 were made in 2003 and 2007, respectively, from the Water Operating Fund to the Wastewater Operating Fund and not repaid in full by December 31, 2012. Temporary loans of \$46,375 and \$22,105.28 were made in 2007 and 2008, respectively, from the General Fund to the Wastewater Operating Fund and not repaid in full by December, 31, 2012. These loan balances totaling \$133,480.28 have been reduced by \$35,300 from payments made in 2010 and 2011, leaving an unpaid balance totaling \$98,180.28 that not been repaid as December 31, 2012.

Indiana Code 36-1-8-4 concerning temporary loans states, in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs; (4) The amount transferred must be returned to the other fund at the end of the prescribed period . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
  - (A) A statement that the fiscal body has determined that an emergency exists.
  - (B) A brief description of the grounds for the emergency.

TOWN OF MORGANTOWN  
AUDIT RESULTS AND COMMENTS  
(Continued)

(C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.

- (2) Immediately forwards the ordinance or resolution to the state board of accounts and department of local government finance."

***INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING***

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

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 payroll and related liabilities, and cash and investment balances. The failure to establish these controls could enable material misstatements or irregularities to remain 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 Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

TO: THE OFFICIALS OF THE TOWN OF MORGANTOWN, MORGAN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Morgantown (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 the major federal program for the years ended December 31, 2010 and 2011. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to the major federal program 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 the major federal program for the years ended December 31, 2010 and 2011. The results of our auditing procedures also disclosed other 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 item 2011-2.

Internal Control Over Compliance

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133  
(Continued)

A deficiency in 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 and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 the response.

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

April 5, 2012

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#### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

TOWN OF MORGANTOWN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State-Administered CDBG Cluster				
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	14.228			
Disaster Recovery		DR1B-09-004	\$ 213,666	\$ 545,370
Planning Grant		PL-09-047	-	50,000
Total for cluster			<u>213,666</u>	<u>595,370</u>
Total for federal grantor agency			<u>213,666</u>	<u>595,370</u>
Total federal awards expended			<u>\$ 213,666</u>	<u>\$ 595,370</u>

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

TOWN OF MORGANTOWN  
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 Morgantown (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 Indiana Code (IC 5-11-1 et seq.), audits of Towns with populations fewer than 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.



TOWN OF MORGANTOWN  
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 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 Cities and Towns, Chapter 7)

**Section III – Federal Award Findings and Questioned Costs**

**FINDING 2011-2 - INTERNAL CONTROL/REPORTING**

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
and Non-Entitlement Grants in Hawaii

CFDA Number: 14.228

Pass-Through Entity: Indiana Office of Community and Rural Affairs

Federal Award Number and Year: DR1B-09-004, 2010 and 2011, PL-09-047, 2011

As part of the grant agreement between the Town and the Indiana Office of Community and Rural Affairs, the Town is required to submit quarterly and semiannual reports to Indiana Office of Community and Rural Affairs. However, the Town submitted the quarterly report due January 30 approximately six months after the due date and the quarterly report due April 30 approximately three months after the due date. Semiannual reports due July 31 and January 31 were submitted ten days and three days, respectively, after the due date. The Officials for the Town have not established any controls or procedures for filing the reports within the allotted time.

The 2010 and 2011 Community Development Block Grant (CDBG) Sub-Grant Agreement between the Indiana Office of Community and Rural Affairs and the Town of Morgantown, Section 4, Duties and Responsibilities of the Grantee, Part D, states:

"The grantee shall continue to provide semi-annual and quarterly reports or other reports, as may be required by the State" for the Disaster Recovery and Planning Grant respectively. Furthermore, OMB Circular A-102 states in part: "When reports are required on a quarterly or semi-annual basis, they will be due 30 days after the reporting period . . ."

The Town is not in compliance with reporting requirements for this program. Failure to comply with these requirements could cause the Town to be ineligible to receive future federal awards.

We recommended that officials develop and maintain controls over the preparation and submitting of all required reports to ensure that all required reports are prepared and submitted on a timely basis in accordance with the applicable grant agreement or federal guideline.

TOWN OF MORGANTOWN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

## Town of Morgantown

Office of Clerk Treasurer / Sharon McIntosh  
120 W. Washington St / P O Box 416 Morgantown IN 46160  
Phone: 812-597-4626 Fax: 812-597-6027  
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### TOWN OF MORGANTOWN CORRECTIVE ACTION PLAN

#### FEDERAL FINDING 2011-2 INTERNAL CONTROL / REPORTING

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii  
CFDA Number: 14.228  
Federal Award Number and Year: DR1B-09-004, Years 2010 and 2011; PL-09-047, 2011

Pass-through Entity: Indiana Office of Community and Rural Affairs

#### Corrective Action:

As grants are awarded, a Town Board Member overseeing that area, will work with the Clerk-Treasurer to develop a checklist of items necessary to be compliant, which will include timely reporting as mandated in the grant. They will check with the Grant Administrator to make sure this checklist is complete. This Town Board Member will meet monthly with the Clerk-Treasurer monthly to go over these items and make sure that everything is compliant. In the past, the Grant Administrator has sent these reports to the Clerk-Treasurer. We will ask in the future that the Grant Administrator also send a notice to the Town Board Member working on this grant with the Clerk-Treasurer is notified.

#### Expected Completion Date:

Immediately we will put this process in place.

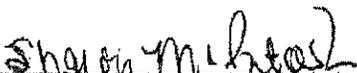
#### FEDERAL FINDING 2011-1, INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

#### Corrective Action:

The Morgantown Clerk-Treasurer has implemented procedures in the Town Hall office to segregate the financial duties to insure separation of accounting. The Administrative Assistant will be responsible for collecting the monies. The Clerk-Treasurer will make the deposit ticket. These two will then make sure the funds collected balance. Payroll claims will be reviewed by a Town Board member prior to issuing paychecks. And the payroll claims approved by the entire Town Board at their regularly scheduled monthly meeting.

#### Expected Completion Date:

This process was implemented by the Clerk-Treasurer on Monday, March 26, 2012

  
\_\_\_\_\_  
Sharon McIntosh Clerk-Treasurer, Morgantown, Indiana

Date: March 29, 2012

TOWN OF MORGANTOWN  
EXIT CONFERENCE

The contents of this report were discussed on April 5, 2012, with Sharon McIntosh, Clerk-Treasurer; JoEllen Rowe, President of Town Council; and Walter Abbott, Council member. The officials concurred with our audit findings.

The contents of this report were discussed on April 4, 2012, by telephone, with Paula Smith, former Clerk-Treasurer.