

B37080

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

AUDIT REPORT

OF

TOWN OF ASHLEY

STEBEN COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
06/01/2010

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7-8
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	9-10
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	11-12
Notes to Financial Statements	13-19
Required Supplementary Information:	
Schedule of Funding Progress	20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	21-24
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Fund	25-26
Schedule of Capital Assets.....	27
Schedule of Long-Term Debt	28
Audit Results and Comments:	
Overdrawn Cash Balances.....	29
Internal Controls Over Financial Transactions and Reporting	29
Supplemental Audit of Federal Awards:	
Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	32-33
Schedule of Expenditures of Federal Awards	34
Note to Schedule of Expenditures of Federal Awards.....	35
Schedule of Findings and Questioned Costs	36-37
Auditee Prepared Schedules:	
Summary Schedule of Prior Audit Findings	38
Corrective Action Plan.....	39
Exit Conference.....	40

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McEntarfer	01-01-08 to 12-31-11
President of the Town Council	Richard Schiffli	01-01-08 to 12-31-10
Superintendent of Utilities	James Pence	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 ASHLEY, STEUBEN 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 Ashley (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.

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

As discussed in Note I, the 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, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, 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.

In accordance with Government Auditing Standards, we have also issued a report dated March 16, 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 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.

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

Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, 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 Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

March 16, 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 ASHLEY, STEUBEN 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 Ashley (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 March 16, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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

March 16, 2010

TOWN OF ASHLEY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 696,366	\$ -	\$ -	\$ -	\$ (696,366)	\$ -	\$ (696,366)
Public safety	58,741	34,530	3,570	-	(20,641)	-	(20,641)
Highways and streets	164,647	-	-	-	(164,647)	-	(164,647)
Sanitation	32,524	32,867	-	-	343	-	343
Economic development	21,977	-	-	-	(21,977)	-	(21,977)
Culture and recreation	10,077	7,526	-	-	(2,551)	-	(2,551)
Principal and interest on indebtedness	28,418	-	-	-	(28,418)	-	(28,418)
Total governmental activities	1,012,750	74,923	3,570	-	(934,257)	-	(934,257)
Business-type activities:							
Water	1,600,075	294,965	-	498,597	-	(806,513)	(806,513)
Wastewater	592,469	497,065	-	-	-	(95,404)	(95,404)
Total business-type activities	2,192,544	792,030	-	498,597	-	(901,917)	(901,917)
Total primary government	\$ 3,205,294	\$ 866,953	\$ 3,570	\$ 498,597	(934,257)	(901,917)	(1,836,174)
General receipts:							
Property taxes					853,298	-	853,298
Intergovernmental					305,864	-	305,864
Other local sources					33,606	4,125	37,731
Net proceeds from borrowings					-	860,000	860,000
Investment earnings					30,320	31,564	61,884
Total general receipts					1,223,088	895,689	2,118,777
Change in net assets					288,831	(6,228)	282,603
Net assets - beginning					1,529,211	1,320,331	2,849,542
Net assets - ending					\$ 1,818,042	\$ 1,314,103	\$ 3,132,145
Assets							
Cash and investments					\$ 297,057	\$ 686,228	\$ 983,285
Restricted assets:							
Cash and investments					1,520,985	627,875	2,148,860
Total assets					\$ 1,818,042	\$ 1,314,103	\$ 3,132,145
Net Assets							
Restricted for:							
Public safety					\$ 17,078	\$ -	\$ 17,078
Highways and streets					284,553	-	284,553
Sanitation					1,202	-	1,202
Economic development					240,552	-	240,552
Culture and recreation					6,762	-	6,762
Debt service					(1,547)	328,429	326,882
Capital outlay					972,385	-	972,385
Other purposes					-	299,446	299,446
Unrestricted					297,057	686,228	983,285
Total net assets					\$ 1,818,042	\$ 1,314,103	\$ 3,132,145

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

TOWN OF ASHLEY
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 542,458	\$ 725	\$ -	\$ -	\$ (541,733)	\$ -	\$ (541,733)
Public safety	85,800	28,608	3,285	-	(53,907)	-	(53,907)
Highways and streets	82,113	-	-	-	(82,113)	-	(82,113)
Sanitation	34,287	36,061	-	-	1,774	-	1,774
Economic development	347,280	-	-	-	(347,280)	-	(347,280)
Culture and recreation	4,319	5,616	-	-	1,297	-	1,297
Principal and interest on indebtedness	29,260	-	-	-	(29,260)	-	(29,260)
Total governmental activities	1,125,517	71,010	3,285	-	(1,051,222)	-	(1,051,222)
Business-type activities:							
Water	531,953	294,163	-	106,341	-	(131,449)	(131,449)
Wastewater	553,630	490,269	-	40,464	-	(22,897)	(22,897)
Total business-type activities	1,085,583	784,432	-	146,805	-	(154,346)	(154,346)
Total primary government	\$ 2,211,100	\$ 855,442	\$ 3,285	\$ 146,805	(1,051,222)	(154,346)	(1,205,568)
General receipts:							
Property taxes					881,954	-	881,954
Intergovernmental					314,553	-	314,553
Other local sources					34,004	3,600	37,604
Investment earnings					11,214	7,935	19,149
Total general receipts					1,241,725	11,535	1,253,260
Change in net assets					190,503	(142,811)	47,692
Net assets - beginning					1,818,042	1,314,103	3,132,145
Net assets - ending					\$ 2,008,545	\$ 1,171,292	\$ 3,179,837
Assets							
Cash and investments					\$ 400,364	\$ 562,566	\$ 962,930
Restricted assets:							
Cash and investments					1,608,181	608,726	2,216,907
Total assets					\$ 2,008,545	\$ 1,171,292	\$ 3,179,837
Net Assets							
Restricted for:							
Public safety					\$ 14,589	\$ -	\$ 14,589
Highways and streets					272,333	-	272,333
Sanitation					2,976	-	2,976
Economic development					274,351	-	274,351
Culture and recreation					8,540	-	8,540
Debt service					(606)	353,196	352,590
Capital outlay					1,035,998	-	1,035,998
Other purposes					-	255,530	255,530
Unrestricted					400,364	562,566	962,930
Total net assets					\$ 2,008,545	\$ 1,171,292	\$ 3,179,837

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

TOWN OF ASHLEY
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	Tax Incremental Financing	CEDIT	Major Moves	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 408,369	\$ 368,346	\$ -	\$ -	\$ 76,583	\$ 853,298
Licenses and permits	482	-	-	-	95	577
Intergovernmental	181,467	-	55,934	-	72,033	309,434
Charges for services	41,837	-	-	-	33,086	74,923
Fines and forfeits	4,648	-	-	-	4,883	9,531
Other	20,394	14,903	5,841	2,435	5,171	48,744
Total receipts	657,197	383,249	61,775	2,435	191,851	1,296,507
Disbursements:						
General government	605,221	-	-	-	-	605,221
Public safety	-	-	-	-	6,049	6,049
Highways and streets	1,965	-	-	-	162,682	164,647
Sanitation	-	-	-	-	32,524	32,524
Debt service:						
Principal	-	-	-	-	26,000	26,000
Interest	-	-	-	-	2,418	2,418
Capital outlay:						
General government	-	87,339	-	-	3,806	91,145
Public safety	48,903	-	-	-	3,789	52,692
Economic development	-	-	21,977	-	-	21,977
Culture and recreation	10,077	-	-	-	-	10,077
Total disbursements	666,166	87,339	21,977	-	237,268	1,012,750
Excess (deficiency) of receipts over disbursements	(8,969)	295,910	39,798	2,435	(45,417)	283,757
Other financing sources (uses):						
Other receipts	5,074	-	-	-	-	5,074
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(3,895)	295,910	39,798	2,435	(45,417)	288,831
Cash and investment fund balance - beginning	238,584	597,918	200,754	199,224	292,731	1,529,211
Cash and investment fund balance - ending	<u>\$ 234,689</u>	<u>\$ 893,828</u>	<u>\$ 240,552</u>	<u>\$ 201,659</u>	<u>\$ 247,314</u>	<u>\$ 1,818,042</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 234,689	\$ -	\$ -	\$ -	\$ 62,368	\$ 297,057
Restricted assets:						
Cash and investments	-	893,828	240,552	201,659	184,946	1,520,985
Total cash and investment assets - ending	<u>\$ 234,689</u>	<u>\$ 893,828</u>	<u>\$ 240,552</u>	<u>\$ 201,659</u>	<u>\$ 247,314</u>	<u>\$ 1,818,042</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 17,078	\$ 17,078
Highways and streets	-	-	-	201,659	82,894	284,553
Sanitation	-	-	-	-	1,202	1,202
Economic development	-	-	240,552	-	-	240,552
Culture and recreation	-	-	-	-	6,762	6,762
Debt service	-	-	-	-	(1,547)	(1,547)
Capital outlay	-	893,828	-	-	78,557	972,385
Unrestricted	234,689	-	-	-	62,368	297,057
Total cash and investment fund balance - ending	<u>\$ 234,689</u>	<u>\$ 893,828</u>	<u>\$ 240,552</u>	<u>\$ 201,659</u>	<u>\$ 247,314</u>	<u>\$ 1,818,042</u>

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

TOWN OF ASHLEY
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	Tax Incremental Financing	CEDIT	Major Moves	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 447,423	\$ 357,475	\$ -	\$ -	\$ 77,056	\$ 881,954
Licenses and permits	22	-	-	-	-	22
Intergovernmental	185,464	-	57,804	-	74,570	317,838
Charges for services	34,698	-	-	-	36,312	71,010
Fines and forfeits	6,907	-	-	-	3,049	9,956
Other	13,351	5,759	2,024	970	5,648	27,752
Total receipts	687,865	363,234	59,828	970	196,635	1,308,532
Disbursements:						
General government	542,458	-	-	-	-	542,458
Public safety	74,514	-	-	-	11,286	85,800
Highways and streets	-	-	-	-	80,597	80,597
Sanitation	-	-	-	-	34,287	34,287
Economic development	-	145,402	-	-	-	145,402
Debt service:						
Principal	-	-	-	-	28,000	28,000
Interest	-	-	-	-	1,260	1,260
Capital outlay:						
Highways and streets	1,516	-	-	-	-	1,516
Economic development	-	171,619	26,029	-	4,230	201,878
Culture and recreation	4,319	-	-	-	-	4,319
Total disbursements	622,807	317,021	26,029	-	159,660	1,125,517
Excess of receipts over disbursements	65,058	46,213	33,799	970	36,975	183,015
Other financing sources:						
Other receipts	7,488	-	-	-	-	7,488
Excess of receipts and other financing sources over disbursements and other financing uses	72,546	46,213	33,799	970	36,975	190,503
Cash and investment fund balance - beginning	234,689	893,828	240,552	201,659	247,314	1,818,042
Cash and investment fund balance - ending	<u>\$ 307,235</u>	<u>\$ 940,041</u>	<u>\$ 274,351</u>	<u>\$ 202,629</u>	<u>\$ 284,289</u>	<u>\$ 2,008,545</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 307,235	\$ -	\$ -	\$ -	\$ 93,129	\$ 400,364
Restricted assets:						
Cash and investments	-	940,041	274,351	202,629	191,160	1,608,181
Total cash and investment assets - ending	<u>\$ 307,235</u>	<u>\$ 940,041</u>	<u>\$ 274,351</u>	<u>\$ 202,629</u>	<u>\$ 284,289</u>	<u>\$ 2,008,545</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 14,589	\$ 14,589
Highways and streets	-	-	-	202,629	69,704	272,333
Sanitation	-	-	-	-	2,976	2,976
Economic development	-	-	274,351	-	-	274,351
Culture and recreation	-	-	-	-	8,540	8,540
Debt service	-	-	-	-	(606)	(606)
Capital outlay	-	940,041	-	-	95,957	1,035,998
Unrestricted	307,235	-	-	-	93,129	400,364
Total cash and investment fund balance - ending	<u>\$ 307,235</u>	<u>\$ 940,041</u>	<u>\$ 274,351</u>	<u>\$ 202,629</u>	<u>\$ 284,289</u>	<u>\$ 2,008,545</u>

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

TOWN OF ASHLEY
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:			
Metered water receipts	\$ 243,971	\$ -	\$ 243,971
Fire protection receipts	45,702	-	45,702
Measured wastewater receipts	-	454,902	454,902
Miscellaneous	5,292	42,163	47,455
	<u>294,965</u>	<u>497,065</u>	<u>792,030</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	71,751	89,623	161,374
Employee pensions and benefits	22,185	45,330	67,515
Sludge removal	-	8,396	8,396
Purchased power	23,642	54,869	78,511
Chemicals	6,265	19,272	25,537
Material and supplies	14,683	43,350	58,033
Contractual services	41,685	84,696	126,381
Insurance claims and expense	4,442	3,485	7,927
Equipment and capital improvements	1,323,396	55,345	1,378,741
Miscellaneous	16,993	6,988	23,981
	<u>1,525,042</u>	<u>411,354</u>	<u>1,936,396</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(1,230,077)</u>	<u>85,711</u>	<u>(1,144,366)</u>
Nonoperating receipts (disbursements):			
Miscellaneous receipts	4,125	-	4,125
Investment income	12,242	19,322	31,564
Net proceeds from borrowings	860,000	-	860,000
Debt service of principal	(37,000)	(73,000)	(110,000)
Interest disbursements	(34,508)	(108,115)	(142,623)
Miscellaneous disbursements	(3,525)	-	(3,525)
	<u>801,334</u>	<u>(161,793)</u>	<u>639,541</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(428,743)</u>	<u>(76,082)</u>	<u>(504,825)</u>
Capital contributions	<u>498,597</u>	<u>-</u>	<u>498,597</u>
Excess (deficiency) of receipts and contributions over disbursements	69,854	(76,082)	(6,228)
Cash and investment fund balance - beginning	<u>271,248</u>	<u>1,049,083</u>	<u>1,320,331</u>
Cash and investment fund balance - ending	<u>\$ 341,102</u>	<u>\$ 973,001</u>	<u>\$ 1,314,103</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 164,142	\$ 522,086	\$ 686,228
Restricted assets:			
Cash and investments	<u>176,960</u>	<u>450,915</u>	<u>627,875</u>
Total cash and investment assets - ending	<u>\$ 341,102</u>	<u>\$ 973,001</u>	<u>\$ 1,314,103</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 75,439	\$ 252,990	\$ 328,429
Other purposes	101,521	197,925	299,446
Unrestricted	<u>164,142</u>	<u>522,086</u>	<u>686,228</u>
Total cash and investment fund balance - ending	<u>\$ 341,102</u>	<u>\$ 973,001</u>	<u>\$ 1,314,103</u>

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

TOWN OF ASHLEY
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:			
Metered water receipts	\$ 245,516	\$ -	\$ 245,516
Fire protection receipts	47,157	-	47,157
Measured wastewater receipts	-	450,048	450,048
Miscellaneous	1,490	40,221	41,711
	<u>294,163</u>	<u>490,269</u>	<u>784,432</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	87,856	109,939	197,795
Employee pensions and benefits	33,329	69,200	102,529
Sludge removal	-	12,167	12,167
Purchased power	35,215	64,391	99,606
Chemicals	5,323	20,769	26,092
Material and supplies	14,922	22,013	36,935
Contractual services	106,008	63,551	169,559
Insurance claims and expense	3,916	2,975	6,891
Equipment and capital improvements	151,884	-	151,884
Miscellaneous	17,565	8,248	25,813
	<u>456,018</u>	<u>373,253</u>	<u>829,271</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(161,855)</u>	<u>117,016</u>	<u>(44,839)</u>
Nonoperating receipts (disbursements):			
Miscellaneous receipts	3,600	-	3,600
Investment income	1,770	6,165	7,935
Debt service of principal	(36,000)	(75,000)	(111,000)
Interest disbursements	(37,035)	(105,377)	(142,412)
Miscellaneous disbursements	(2,900)	-	(2,900)
	<u>(70,565)</u>	<u>(174,212)</u>	<u>(244,777)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(232,420)</u>	<u>(57,196)</u>	<u>(289,616)</u>
Capital contributions	<u>106,341</u>	<u>40,464</u>	<u>146,805</u>
Deficiency of receipts and contributions over disbursements	<u>(126,079)</u>	<u>(16,732)</u>	<u>(142,811)</u>
Cash and investment fund balance - beginning	<u>341,102</u>	<u>973,001</u>	<u>1,314,103</u>
Cash and investment fund balance - ending	<u>\$ 215,023</u>	<u>\$ 956,269</u>	<u>\$ 1,171,292</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 82,174	\$ 480,392	\$ 562,566
Restricted assets:			
Cash and investments	<u>132,849</u>	<u>475,877</u>	<u>608,726</u>
Total cash and investment assets - ending	<u>\$ 215,023</u>	<u>\$ 956,269</u>	<u>\$ 1,171,292</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 75,879	\$ 277,317	\$ 353,196
Other purposes	56,970	198,560	255,530
Unrestricted	<u>82,174</u>	<u>480,392</u>	<u>562,566</u>
Total cash and investment fund balance - ending	<u>\$ 215,023</u>	<u>\$ 956,269</u>	<u>\$ 1,171,292</u>

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

TOWN OF ASHLEY
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 Ashley

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.

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 tax incremental fund (capital projects) is used to account for special tax distributions and to account for transactions associated with Town construction improvements projects.

The CEDIT fund (capital projects) accounts for the Town's use of economic development income tax revenues.

The major moves fund (capital projects) is used to account for the state distribution of toll road lease proceeds for the construction of highways, roads, and bridges and other allowable disbursements in accordance with Indiana Code 8-14-16.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Town reports the following major enterprise funds:

The water utility fund accounts for the operation of the water distribution system.

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

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the Town.

C. Measurement Focus and Basis of Accounting

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

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the 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.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which may become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the 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

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

Fund Financial Statements

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

E. Receipts and Disbursements

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.

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

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

Internal activities – Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis except for the net amount of transfers between governmental and business-type activities,

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

which are reported as Transfers – Internal Activities. The effects of interfund loans and services between funds, if any, are not eliminated in the government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the 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 December 31, 2009, the following fund reported deficits in cash and investments, which is a violation of the Uniform Compliance Guidelines as authorized by state statute:

Fund	2008	2009
Corporation Bond and Interest Fund	\$ <u>1,547</u>	\$ <u>606</u>

III. Detailed Notes on All Funds

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 \$3,179,812.

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

Job Related Illness or Injuries to Employees

During 1998, 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 300 member governmental entities. This risk pool was formed in the 1989. The purpose of the risk pool is to provide a medium for the funding and administration of Job Related Illness or Injuries to Employees. The City pays an annual premium to the risk pool for its Job Related Illness or Injuries to Employees 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 June 12, 1989, the City Council adopted Ordinance 89-4 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on December 9, 2002.

Wastewater Utility

The current rate structure was approved by the City Council on December 9, 2002.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

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

TOWN OF ASHLEY
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2008 and 2009 were \$22,894 and \$26,412, respectively.

TOWN OF ASHLEY
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-06	\$ 202,355	\$ 181,063	\$ 21,292	112%	\$ 236,009	9%
07-01-07	237,552	217,304	20,248	109%	277,042	7%
07-01-08	282,112	299,546	(17,434)	94%	351,266	(5%)

TOWN OF ASHLEY
 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

	Motor Vehicle Highway	Local Roads & Streets	Fire/Police Donation	Operation Pullover	Law Enforcement Continuing Education	Riverboat	Park and Recreation
Receipts:							
Taxes	\$ 32,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	95	-	-
Intergovernmental	27,551	6,961	-	3,570	-	6,336	-
Charges for services	-	-	-	-	219	-	-
Fines and forfeits	-	-	-	-	398	-	-
Other	1,797	526	-	-	3	781	81
Total receipts	61,368	7,487	-	3,570	715	7,117	81
Disbursements:							
Public safety	-	-	-	3,547	489	-	-
Highways and streets	126,502	36,180	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay							
General government	-	-	-	-	-	-	-
Public safety	-	-	3,789	-	-	-	-
Total disbursements	126,502	36,180	3,789	3,547	489	-	-
Excess (deficiency) of receipts over disbursements	(65,134)	(28,693)	(3,789)	23	226	7,117	81
Cash and investment fund balance - beginning	132,963	43,758	3,789	-	249	33,613	6,681
Cash and investment fund balance - ending	\$ 67,829	\$ 15,065	\$ -	\$ 23	\$ 475	\$ 40,730	\$ 6,762
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 40,730	\$ -
Restricted assets:							
Cash and investments	67,829	15,065	-	23	475	-	6,762
Total cash and investment assets - ending	\$ 67,829	\$ 15,065	\$ -	\$ 23	\$ 475	\$ 40,730	\$ 6,762
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ 23	\$ 475	\$ -	\$ -
Highways and streets	67,829	15,065	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	6,762
Debt service	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	40,730	-
Total cash and investment fund balance - ending	\$ 67,829	\$ 15,065	\$ -	\$ 23	\$ 475	\$ 40,730	\$ 6,762

TOWN OF ASHLEY
 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)

	Fire Fighting	Rainy Day	Corporation Bond and Interest	Cumulative Capital Improvement	Cumulative Capital Development	Garbage	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ 27,153	\$ -	\$ 17,410	\$ -	\$ 76,583
Licenses and permits	-	-	-	-	-	-	95
Intergovernmental	-	21,254	1,875	3,285	1,201	-	72,033
Charges for services	-	-	-	-	-	32,867	33,086
Fines and forfeits	4,485	-	-	-	-	-	4,883
Other	212	384	-	732	655	-	5,171
Total receipts	<u>4,697</u>	<u>21,638</u>	<u>29,028</u>	<u>4,017</u>	<u>19,266</u>	<u>32,867</u>	<u>191,851</u>
Disbursements:							
Public safety	2,013	-	-	-	-	-	6,049
Highways and streets	-	-	-	-	-	-	162,682
Sanitation	-	-	-	-	-	32,524	32,524
Debt service:							
Principal	-	-	26,000	-	-	-	26,000
Interest	-	-	2,418	-	-	-	2,418
Capital outlay							
General government	-	-	-	2,806	1,000	-	3,806
Public safety	-	-	-	-	-	-	3,789
Total disbursements	<u>2,013</u>	<u>-</u>	<u>28,418</u>	<u>2,806</u>	<u>1,000</u>	<u>32,524</u>	<u>237,268</u>
Excess (deficiency) of receipts over disbursements	<u>2,684</u>	<u>21,638</u>	<u>610</u>	<u>1,211</u>	<u>18,266</u>	<u>343</u>	<u>(45,417)</u>
Cash and investment fund balance - beginning	<u>13,896</u>	<u>-</u>	<u>(2,157)</u>	<u>31,035</u>	<u>28,045</u>	<u>859</u>	<u>292,731</u>
Cash and investment fund balance - ending	<u>\$ 16,580</u>	<u>\$ 21,638</u>	<u>\$ (1,547)</u>	<u>\$ 32,246</u>	<u>\$ 46,311</u>	<u>\$ 1,202</u>	<u>\$ 247,314</u>
<u>Cash and Investment Assets - Ending</u>							
Cash and investments	\$ -	\$ 21,638	\$ -	\$ -	\$ -	\$ -	\$ 62,368
Restricted assets:							
Cash and investments	<u>16,580</u>	<u>-</u>	<u>(1,547)</u>	<u>32,246</u>	<u>46,311</u>	<u>1,202</u>	<u>184,946</u>
Total cash and investment assets - ending	<u>\$ 16,580</u>	<u>\$ 21,638</u>	<u>\$ (1,547)</u>	<u>\$ 32,246</u>	<u>\$ 46,311</u>	<u>\$ 1,202</u>	<u>\$ 247,314</u>
<u>Cash and Investment Fund Balance - Ending</u>							
Restricted for:							
Public safety	\$ 16,580	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,078
Highways and streets	-	-	-	-	-	-	82,894
Sanitation	-	-	-	-	-	1,202	1,202
Culture and recreation	-	-	-	-	-	-	6,762
Debt service	-	-	(1,547)	-	-	-	(1,547)
Capital outlay	-	-	-	32,246	46,311	-	78,557
Unrestricted	<u>-</u>	<u>21,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,368</u>
Total cash and investment fund balance - ending	<u>\$ 16,580</u>	<u>\$ 21,638</u>	<u>\$ (1,547)</u>	<u>\$ 32,246</u>	<u>\$ 46,311</u>	<u>\$ 1,202</u>	<u>\$ 247,314</u>

TOWN OF ASHLEY
 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

	Motor Vehicle Highway	Local Roads & Streets	Fire/Police Donation	Operation Pullover	Law Enforcement Continuing Education	Riverboat	Park and Recreation	Fire Fighting
Receipts:								
Taxes	\$ 31,648	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	28,859	6,554	-	3,285	-	6,321	-	-
Charges for services	-	-	-	-	251	-	-	-
Fines and forfeits	-	-	-	-	466	-	-	2,583
Other	241	105	2,120	-	3	363	1,778	89
Total receipts	60,748	6,659	2,120	3,285	720	6,684	1,778	2,672
Disbursements:								
Public safety	-	-	2,120	3,308	-	-	-	5,858
Highways and streets	80,597	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
Economic development	-	-	-	-	-	-	-	-
Total disbursements	80,597	-	2,120	3,308	-	-	-	5,858
Excess (deficiency) of receipts over disbursements	(19,849)	6,659	-	(23)	720	6,684	1,778	(3,186)
Cash and investment fund balance - beginning	67,829	15,065	-	23	475	40,730	6,762	16,580
Cash and investment fund balance - ending	<u>\$ 47,980</u>	<u>\$ 21,724</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,195</u>	<u>\$ 47,414</u>	<u>\$ 8,540</u>	<u>\$ 13,394</u>
Cash and Investment Assets - Ending								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,414	\$ -	\$ -
Restricted assets:								
Cash and investments	47,980	21,724	-	-	1,195	-	8,540	13,394
Total cash and investment assets - ending	\$ 47,980	\$ 21,724	\$ -	\$ -	\$ 1,195	\$ 47,414	\$ 8,540	\$ 13,394
Cash and Investment Fund Balance - Ending								
Restricted for:								
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 1,195	\$ -	\$ -	\$ 13,394
Highways and streets	47,980	21,724	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	8,540	-
Debt service	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	47,414	-	-
Total cash and investment fund balance - ending	\$ 47,980	\$ 21,724	\$ -	\$ -	\$ 1,195	\$ 47,414	\$ 8,540	\$ 13,394

TOWN OF ASHLEY
 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)

	Rainy Day	Local Option Income Tax	Corporation Bond and Interest	Cumulative Capital Improvement	Cumulative Capital Development	Garbage	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ 28,540	\$ -	\$ 16,868	\$ -	\$ 77,056
Intergovernmental	13,143	10,665	1,660	3,097	986	-	74,570
Charges for services	-	-	-	-	-	36,061	36,312
Fines and forfeits	-	-	-	-	-	-	3,049
Other	262	7	1	281	398	-	5,648
Total receipts	13,405	10,672	30,201	3,378	18,252	36,061	196,635
Disbursements:							
Public safety	-	-	-	-	-	-	11,286
Highways and streets	-	-	-	-	-	-	80,597
Sanitation	-	-	-	-	-	34,287	34,287
Debt service:							
Principal	-	-	28,000	-	-	-	28,000
Interest	-	-	1,260	-	-	-	1,260
Capital outlay:							
Economic development	-	-	-	4,230	-	-	4,230
Total disbursements	-	-	29,260	4,230	-	34,287	159,660
Excess (deficiency) of receipts over disbursements	13,405	10,672	941	(852)	18,252	1,774	36,975
Cash and investment fund balance - beginning	21,638	-	(1,547)	32,246	46,311	1,202	247,314
Cash and investment fund balance - ending	\$ 35,043	\$ 10,672	\$ (606)	\$ 31,394	\$ 64,563	\$ 2,976	\$ 284,289
Cash and Investment Assets - Ending							
Cash and investments	\$ 35,043	\$ 10,672	\$ -	\$ -	\$ -	\$ -	\$ 93,129
Restricted assets:							
Cash and investments	-	-	(606)	31,394	64,563	2,976	191,160
Total cash and investment assets - ending	\$ 35,043	\$ 10,672	\$ (606)	\$ 31,394	\$ 64,563	\$ 2,976	\$ 284,289
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,589
Highways and streets	-	-	-	-	-	-	69,704
Sanitation	-	-	-	-	-	2,976	2,976
Culture and recreation	-	-	-	-	-	-	8,540
Debt service	-	-	(606)	-	-	-	(606)
Capital outlay	-	-	-	31,394	64,563	-	95,957
Unrestricted	35,043	10,672	-	-	-	-	93,129
Total cash and investment fund balance - ending	\$ 35,043	\$ 10,672	\$ (606)	\$ 31,394	\$ 64,563	\$ 2,976	\$ 284,289

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

	Payroll
Additions:	
Agency fund additions	\$ 578,637
Deductions:	
Agency fund deductions	578,637
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

	Payroll
Additions:	
Agency fund additions	\$ 646,413
Deductions:	
Agency fund deductions	646,413
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

TOWN OF ASHLEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 79,684
Infrastructure	204,380
Buildings	1,121,789
Improvements other than buildings	145,888
Machinery and equipment	<u>858,966</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 2,410,707</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 10,933
Buildings	208,584
Improvements other than buildings	2,908,614
Machinery and equipment	<u>202,885</u>
 Total Water Utility capital assets	 <u>3,331,016</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	5,926
Improvements other than buildings	4,960,537
Machinery and equipment	<u>757,786</u>
 Total Wastewater Utility capital assets	 <u>5,724,249</u>
 Total business-type activities capital assets	 <u>\$ 9,055,265</u>

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks expansion	\$ 787,000	\$ 72,415
Wastewater Utility:		
Revenue bonds:		
Sewageworks improvements	387,000	63,545
State Revolving Fund loan:		
Sewageworks, wastewater expansion	<u>2,172,000</u>	<u>117,997</u>
Total Wastewater Utility	<u>2,559,000</u>	<u>181,542</u>
Total business-type activities debt:	<u>\$ 3,346,000</u>	<u>\$ 253,957</u>

TOWN OF ASHLEY
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Corporation Bond and Interest Fund was overdrawn by \$1,547 and \$606 in 2008 and 2009, respectively.

The cash 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)

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.
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)

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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 ASHLEY, STEUBEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Ashley (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.

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

March 16, 2010

TOWN OF ASHLEY
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 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	14.228	CF-07-108	\$ 498,597	\$ 1,403
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Town of Hudson State and Community Highway Safety	20.600	J8-03-03-59	3,547	3,308
Total federal awards expended			<u>\$ 502,144</u>	<u>\$ 4,711</u>

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

TOWN OF ASHLEY
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 Ashley (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 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF ASHLEY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? yes
 Significant deficiencies identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Significant deficiencies identified that are not considered to be material weaknesses? 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? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grant/State's program and Non-Entitlement Grants in Hawaii

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

FEDERAL 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:

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

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.
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.

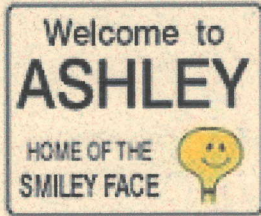
Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

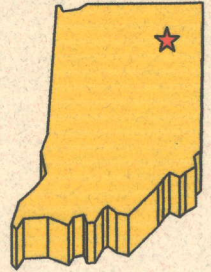
TOWN OF ASHLEY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



Town of Ashley

500 S Gonser Avenue
P.O. Box 70
Ashley IN 46705
Ph 260-587-9276
Fax 260-587-3182



March 16, 2010

The following is the Town's Corrective Action Plan presented as a part of the Town of Ashley report for the period January 1, 2008 to December 31, 2009

INTERNAL CONTROLS OVER FINANCIAL TRANSACTIONS AND REPORTING

The Management of the Town of Ashley has reviewed the Financial Statement Findings related to their audit for the years 2008 and 2009 and offer the following corrective actions.

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 Clerk Treasurer's office will review their office procedures and attempt to institute duties that would involve, at least on a sample basis, reviews of the work being performed by each of the office employees. However, the town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current internal control structure used by their business office.

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. - Town officials will review their office procedures and attempt to institute duties that would involve reviews of the work being performed by each of the office employees. However, the town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current internal control structure used by their business office.

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 will performed either an ongoing or separate evaluation of their system of internal controls. However, the town is a very small governmental unit and management has determined that the cost associated with employing the additional staff necessary to properly segregate the duties in the business office would outweigh the benefits of a stronger internal control structure. Management acknowledges and assumes the risks inherent with the current internal control structure used by their business office.

Karen McEntarfer
Clerk Treasurer,
Town of Ashley

TOWN OF ASHLEY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2010, with Karen McEntarfer, Clerk-Treasurer; and Richard Schiffli, President of the Town Council.