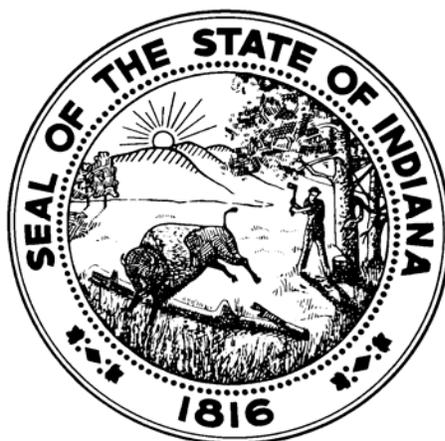


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

AUDIT REPORT  
OF  
TOWN OF ASHLEY  
STEUBEN COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
7/18/06



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Karen McEntarfer	01-01-04 to 12-31-07
President of the Town Council	Randy McEntarfer	01-01-04 to 12-31-06
Superintendent of Utilities	James Pence	01-01-04 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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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, 2004 and 2005, as listed in the table of contents, which collectively comprise the Town's basic financial statements. 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 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 financial statements of its governmental activities, business-type activities, each major governmental fund and the aggregate remaining fund information of the Town on the prescribed basis of accounting that demonstrates compliance with the cash 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and investment balances of the governmental activities, the business-type activities, each major governmental fund, and the aggregate remaining fund information of the Town as of December 31, 2004 and 2005, and the cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In our opinion, the financial statements of the enterprise funds present fairly, in all material respects, the financial position of each major proprietary fund as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended, in conformity with accounting principles generally accepted in the United States.

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

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 the Governmental Accounting Standards Board. 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 the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated June 5, 2006, 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 and grants. This separate report is an integral part of an audit performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and, in considering the results of the audit, this report should be read along with the auditor's report on the financial statements.

Our audit was performed for the purpose of forming an opinion on the financial statements of the Town taken as a whole. 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.

STATE BOARD OF ACCOUNTS

June 5, 2006



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING 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 Town of Ashley (Town), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated June 5, 2006. 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.

Compliance

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 grants, 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 that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

June 5, 2006

TOWN OF ASHLEY  
STATEMENT OF CASH AND INVESTMENTS  
December 31, 2004

<u>Assets</u>	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
Cash and investments	\$ 493,222	\$ 281,955	\$ 775,177
Restricted assets:			
Cash and investments	<u>269,813</u>	<u>583,791</u>	<u>853,604</u>
Total assets	<u>\$ 763,035</u>	<u>\$ 865,746</u>	<u>\$ 1,628,781</u>
 <u>Net Assets</u>			
Restricted for:			
Public safety	\$ 8,971	\$ -	\$ 8,971
Highways and streets	121,394	-	121,394
Culture and recreation	52,542	-	52,542
Debt service	-	302,744	302,744
Other purposes	86,906	271,848	358,754
Unrestricted	<u>493,222</u>	<u>291,154</u>	<u>784,376</u>
Total net assets	<u>\$ 763,035</u>	<u>\$ 865,746</u>	<u>\$ 1,628,781</u>

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

TOWN OF ASHLEY  
STATEMENT OF CASH ACTIVITIES  
For The Year Ended December 31, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 417,410	\$ 1,048	\$ -	\$ (416,362)	\$ -	\$ (416,362)
Public safety	228,922	15,483	6,419	(207,020)	-	(207,020)
Highways and streets	63,375	-	-	(63,375)	-	(63,375)
Sanitation	32,715	31,587	-	(1,128)	-	(1,128)
Culture and recreation	38,108	-	-	(38,108)	-	(38,108)
Economic development	1,674	-	-	(1,674)	-	(1,674)
Interest on long-term debt	10,721	-	-	(10,721)	-	(10,721)
Total governmental activities	<u>792,925</u>	<u>48,118</u>	<u>6,419</u>	<u>(738,388)</u>	<u>-</u>	<u>(738,388)</u>
Business-type activities:						
Water	246,757	315,094	-	-	68,337	68,337
Wastewater	<u>266,378</u>	<u>464,917</u>	<u>-</u>	<u>-</u>	<u>198,539</u>	<u>198,539</u>
Total business-type activities	<u>513,135</u>	<u>780,011</u>	<u>-</u>	<u>-</u>	<u>266,876</u>	<u>266,876</u>
Total primary government	<u>\$ 1,306,060</u>	<u>\$ 828,129</u>	<u>\$ 6,419</u>	<u>(738,388)</u>	<u>266,876</u>	<u>(471,512)</u>
General receipts:						
Property taxes				668,601	-	668,601
Other state sources				62,321	-	62,321
Other local sources				354,620	-	354,620
Unrestricted investment earnings				<u>3,389</u>	<u>6,196</u>	<u>9,585</u>
Total general receipts				<u>1,088,931</u>	<u>6,196</u>	<u>1,095,127</u>
Change in net assets				350,543	273,072	623,615
Net assets - beginning				<u>412,492</u>	<u>592,674</u>	<u>1,005,166</u>
Net assets - ending				<u>\$ 763,035</u>	<u>\$ 865,746</u>	<u>\$ 1,628,781</u>

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

TOWN OF ASHLEY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2004

	General	Highways and Streets	Tax Incremental Financing	CEDIT	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 107,357	\$ 77,203	\$ 63,146	\$ 81,364	\$ 83,422	\$ 412,492
Operating receipts:						
Taxes	392,686	61,450	148,490	-	65,975	668,601
Licenses and permits	1,048	-	-	-	-	1,048
Intergovernmental	173,114	42,483	-	53,935	12,778	282,310
Charges for services	15,055	-	-	-	32,015	47,070
Fines and forfeits	7,294	-	-	-	-	7,294
Other	45,123	271	393	293	91,065	137,145
Total operating receipts	<u>634,320</u>	<u>104,204</u>	<u>148,883</u>	<u>54,228</u>	<u>201,833</u>	<u>1,143,468</u>
Operating disbursements:						
General government	357,220	-	-	-	9,249	366,469
Public safety	209,127	-	-	-	2,905	212,032
Highways and streets	3,362	60,013	-	-	-	63,375
Sanitation	-	-	-	-	32,715	32,715
Culture and recreation	882	-	-	-	37,226	38,108
Economic development	-	-	-	1,674	-	1,674
Debt service:						
Principal	-	-	-	-	38,890	38,890
Interest	-	-	-	-	10,721	10,721
Capital outlay:						
General government	-	-	28,941	-	-	28,941
Total operating disbursements	<u>570,591</u>	<u>60,013</u>	<u>28,941</u>	<u>1,674</u>	<u>131,706</u>	<u>792,925</u>
Deficiency of total receipts under total disbursements	<u>63,729</u>	<u>44,191</u>	<u>119,942</u>	<u>52,554</u>	<u>70,127</u>	<u>350,543</u>
Cash and investments - December 31	<u>\$ 171,086</u>	<u>\$ 121,394</u>	<u>\$ 183,088</u>	<u>\$ 133,918</u>	<u>\$ 153,549</u>	<u>\$ 763,035</u>

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

TOWN OF ASHLEY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
December 31, 2004

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 12,029	\$ 69,926	\$ 81,955
Operating Investments	50,000	150,000	200,000
Accounts receivable	2,299	9,916	12,215
Inventory - materials and supplies	1,500	-	1,500
Prepaid items	3,225	2,874	6,099
Interest receivable	-	2,171	2,171
	<u>69,053</u>	<u>234,887</u>	<u>303,940</u>
<b>Total current assets</b>			
<b>Noncurrent assets:</b>			
Restricted cash, cash equivalents and investments:			
Customer deposits cash	5,199	-	5,199
Customer deposits investments	4,000	-	4,000
Revenue bond covenant accounts cash	107,667	195,077	302,744
Improvement cash	32,655	189,193	221,848
Improvement investments	50,000	-	50,000
	<u>199,521</u>	<u>384,270</u>	<u>583,791</u>
<b>Total restricted assets</b>	<u>199,521</u>	<u>384,270</u>	<u>583,791</u>
Deferred charges	<u>1,111</u>	<u>32,004</u>	<u>33,115</u>
<b>Capital assets:</b>			
Land, improvements to land and construction in progress	10,933	261,476	272,409
Other capital assets (net of accumulated depreciation)	<u>1,223,160</u>	<u>1,408,694</u>	<u>2,631,854</u>
<b>Total capital assets</b>	<u>1,234,093</u>	<u>1,670,170</u>	<u>2,904,263</u>
<b>Total noncurrent assets</b>	<u>1,434,725</u>	<u>2,086,444</u>	<u>3,521,169</u>
<b>Total assets</b>	<u>1,503,778</u>	<u>2,321,331</u>	<u>3,825,109</u>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	6,031	5,547	11,578
Taxes payable	878	-	878
Accrued wages and benefits payable	1,624	1,691	3,315
Current liabilities payable from restricted assets:			
Customer deposits	<u>9,199</u>	<u>-</u>	<u>9,199</u>
<b>Total current liabilities</b>	<u>17,732</u>	<u>7,238</u>	<u>24,970</u>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable (net of unamortized discount: 2004, \$453 Water Utility)	<u>22,547</u>	<u>613,000</u>	<u>635,547</u>
<b>Total liabilities</b>	<u>40,279</u>	<u>620,238</u>	<u>660,517</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	1,211,546	1,057,170	2,268,716
Restricted for debt service	107,667	195,077	302,744
Restricted for other purposes	82,655	189,193	271,848
Unrestricted	<u>61,631</u>	<u>259,653</u>	<u>321,284</u>
<b>Total net assets</b>	<u>\$ 1,463,499</u>	<u>\$ 1,701,093</u>	<u>\$ 3,164,592</u>

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

TOWN OF ASHLEY  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
For The Year Ended December 31, 2004

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Metered water revenue	\$ 237,084	\$ -	\$ 237,084
Fire protection revenue	42,756	-	42,756
Measured wastewater revenue	-	440,049	440,049
Other	8,562	20,952	29,514
	<u>288,402</u>	<u>461,001</u>	<u>749,403</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	69,295	88,901	158,196
Employee pensions and benefits	21,061	27,715	48,776
Purchased power	25,500	40,539	66,039
Sludge removal	-	8,727	8,727
Chemicals	1,697	2,943	4,640
Materials and supplies	17,430	8,085	25,515
Contractual services	31,215	18,797	50,012
Insurance expense	3,933	3,916	7,849
Depreciation	35,890	62,187	98,077
Miscellaneous expenses	5,795	3,589	9,384
	<u>211,816</u>	<u>265,399</u>	<u>477,215</u>
Total operating expenses			
Operating income	<u>76,586</u>	<u>195,602</u>	<u>272,188</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	1,910	5,709	7,619
Interest expense	(5,531)	(22,435)	(27,966)
Loss on disposal of assets	(5,053)	-	(5,053)
Amortization of bond issue costs	(1,836)	(2,241)	(4,077)
	<u>(10,510)</u>	<u>(18,967)</u>	<u>(29,477)</u>
Total nonoperating expenses			
Change in net assets	66,076	176,635	242,711
Total net assets - beginning	<u>1,397,423</u>	<u>1,524,458</u>	<u>2,921,881</u>
Total net assets - ending	<u>\$ 1,463,499</u>	<u>\$ 1,701,093</u>	<u>\$ 3,164,592</u>

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

TOWN OF ASHLEY  
 RECONCILIATION OF THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES,  
 EXPENSES AND OTHER CHANGES IN FUND NET ASSETS OF THE ENTERPRISE FUNDS TO  
 THE STATEMENT OF CASH AND INVESTMENT BALANCES AND THE STATEMENT OF CASH ACTIVITIES  
 December 31, 2004

Net assets of business-type activities reported in the enterprise fund statement of net assets	\$ 3,164,592
Amounts reported for net assets of business-type activities in the enterprise fund statements are different because:	
Capital assets are reported as disbursements in the year of acquisition in the government-wide financial statements, but are capitalized and amortized over a period of years in the enterprise fund statements.	(2,904,263)
Long-term debt is reported as a cash receipt in the year the proceeds are obtained in the government-wide financial statements, but are reported as a liability and expensed over the life of the debt in the enterprise fund statements.	635,547
Short-term receivables and payables are reported as cash receipts or cash disbursements in the current year in the government-wide financial statements, but are accrued and reported in the period the benefit is derived or liability is incurred in the fund statements.	<u>(30,130)</u>
Net assets of business-type activities reported in the government-wide financial statements	<u>\$ 865,746</u>

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

TOWN OF ASHLEY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
For The Year Ended December 31, 2004

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 302,373	\$ 467,145	\$ 769,518
Payments to suppliers	(107,378)	(120,751)	(228,129)
Payments to employees	<u>(67,853)</u>	<u>(87,400)</u>	<u>(155,253)</u>
Net cash provided by operating activities	<u>127,142</u>	<u>258,994</u>	<u>386,136</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(8,572)	(7,140)	(15,712)
Principal paid on capital debt	(45,000)	(28,000)	(73,000)
Interest paid on capital debt	(5,233)	(22,435)	(27,668)
Bond issue costs paid	<u>-</u>	<u>(2,880)</u>	<u>(2,880)</u>
Net cash used by capital and related financing activities	<u>(58,805)</u>	<u>(60,455)</u>	<u>(119,260)</u>
Cash flows from investing activities:			
Purchase of investments	(100,000)	(150,000)	(250,000)
Sale of investments	146,000	250,000	396,000
Interest received	<u>2,178</u>	<u>4,018</u>	<u>6,196</u>
Net cash provided by investing activities	<u>48,178</u>	<u>104,018</u>	<u>152,196</u>
Net increase in cash and cash equivalents	116,515	302,557	419,072
Cash and cash equivalents, January 1 (Including \$23,897 and \$151,639 for the Water Utility and Wastewater Utility, respectively, reported in restricted accounts)			
	<u>41,035</u>	<u>151,639</u>	<u>192,674</u>
Cash and cash equivalents, December 31 (Including \$145,521 and \$384,270 for the Water Utility and Wastewater Utility, respectively, reported in restricted accounts)			
	<u>\$ 157,550</u>	<u>\$ 454,196</u>	<u>\$ 611,746</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 76,586</u>	<u>\$ 195,602</u>	<u>\$ 272,188</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	35,890	62,187	98,077
(Increase) decrease in assets:			
Accounts receivable	12,421	6,144	18,565
Prepaid items	(1,295)	(609)	(1,904)
Increase (decrease) in liabilities:			
Customer deposits	1,675	-	1,675
Accounts payable	266	(6,021)	(5,755)
Taxes payable	(25)	-	(25)
Accrued wages and benefits payable	<u>1,624</u>	<u>1,691</u>	<u>3,315</u>
Total adjustments	<u>50,556</u>	<u>63,392</u>	<u>113,948</u>
Net cash provided by operating activities	<u>\$ 127,142</u>	<u>\$ 258,994</u>	<u>\$ 386,136</u>

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

TOWN OF ASHLEY  
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS  
 FIDUCIARY FUNDS  
 For The Year Ended December 31, 2004

	Agency Funds
Cash and investments - January 1	\$ -
Additions	485,183
Deductions	485,183
Cash and investments - December 31	\$ -

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

TOWN OF ASHLEY  
STATEMENT OF CASH AND INVESTMENTS  
December 31, 2005

<u>Assets</u>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 712,284	\$ 561,326	\$ 1,273,610
Restricted assets:			
Cash and investments	312,097	594,563	906,660
Total assets	\$ 1,024,381	\$ 1,155,889	\$ 2,180,270
 <u>Net Assets</u>			
Restricted for:			
Public Safety	\$ 13,291	\$ -	\$ 13,291
Highways and streets	174,970	-	174,970
Culture and recreation	16,548	-	16,548
Debt service	11,524	302,890	314,414
Other purposes	95,764	281,749	377,513
Unrestricted	712,284	571,250	1,283,534
Total net assets	\$ 1,024,381	\$ 1,155,889	\$ 2,180,270

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

TOWN OF ASHLEY  
STATEMENT OF CASH ACTIVITIES  
For The Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 481,161	\$ 853	\$ -	\$ (480,308)	\$ -	\$ (480,308)
Public safety	205,024	22,741	1,725	(180,558)	-	(180,558)
Highways and streets	61,631	-	-	(61,631)	-	(61,631)
Sanitation	32,718	31,231	-	(1,487)	-	(1,487)
Culture and recreation	50,808	-	-	(50,808)	-	(50,808)
Economic development	2,000	-	-	(2,000)	-	(2,000)
Interest on long-term debt	8,833	-	-	(8,833)	-	(8,833)
Total governmental activities	<u>842,175</u>	<u>54,825</u>	<u>1,725</u>	<u>(785,625)</u>	<u>-</u>	<u>(785,625)</u>
Business-type activities:						
Water	204,108	285,611	-	-	81,503	81,503
Wastewater	1,240,131	461,463	-	-	(778,668)	(778,668)
Total business-type activities	<u>1,444,239</u>	<u>747,074</u>	<u>-</u>	<u>-</u>	<u>(697,165)</u>	<u>(697,165)</u>
Total primary government	<u>\$ 2,286,414</u>	<u>\$ 801,899</u>	<u>\$ 1,725</u>	<u>\$ (785,625)</u>	<u>(697,165)</u>	<u>(1,482,790)</u>
General receipts:						
Property taxes				688,961	-	688,961
Other state sources				96,905	-	96,905
Other local sources				252,084	-	252,084
Bonds and loans				-	474,337	474,337
Unrestricted investment earnings				9,021	12,971	21,992
Total general receipts				<u>1,046,971</u>	<u>487,308</u>	<u>1,534,279</u>
Change in net assets				261,346	(209,857)	51,489
Net assets - beginning				<u>763,035</u>	<u>865,746</u>	<u>1,628,781</u>
Net assets - ending				<u>\$ 1,024,381</u>	<u>\$ 655,889</u>	<u>\$ 1,680,270</u>

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

TOWN OF ASHLEY  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Highways and Streets	Tax Incremental Financing	CEDIT	Other Governmental Funds	Totals
Cash and investments - January 1	\$ 171,086	\$ 121,394	\$ 183,088	\$ 133,918	\$ 153,549	\$ 763,035
Operating receipts:						
Taxes	461,454	71,193	83,250	-	73,064	688,961
Licenses and permits	853	-	-	-	-	853
Intergovernmental	164,160	43,811	-	49,189	16,402	273,562
Charges for services	22,126	-	-	-	31,846	53,972
Fines and forfeits	7,715	-	-	-	-	7,715
Other	44,957	203	2,900	2,569	27,829	78,458
Total operating receipts	<u>701,265</u>	<u>115,207</u>	<u>86,150</u>	<u>51,758</u>	<u>149,141</u>	<u>1,103,521</u>
Operating disbursements:						
General government	386,203	-	47,913	21,975	2,070	458,161
Public safety	184,319	-	-	-	2,829	187,148
Highways and streets	-	61,631	-	-	-	61,631
Sanitation	-	-	-	-	32,718	32,718
Culture and recreation	9,779	-	-	-	1,305	11,084
Economic development	-	-	-	2,000	-	2,000
Debt service:						
Principal	-	-	-	-	40,876	40,876
Interest	-	-	-	-	8,833	8,833
Capital outlay:						
Culture and recreation	-	-	-	-	39,724	39,724
Total operating disbursements	<u>580,301</u>	<u>61,631</u>	<u>47,913</u>	<u>23,975</u>	<u>128,355</u>	<u>842,175</u>
Excess of total receipts over total disbursements	<u>120,964</u>	<u>53,576</u>	<u>38,237</u>	<u>27,783</u>	<u>20,786</u>	<u>261,346</u>
Cash and investments - December 31	<u>\$ 292,050</u>	<u>\$ 174,970</u>	<u>\$ 221,325</u>	<u>\$ 161,701</u>	<u>\$ 174,335</u>	<u>\$ 1,024,381</u>

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

TOWN OF ASHLEY  
STATEMENT OF NET ASSETS  
ENTERPRISE FUNDS  
December 31, 2005

<u>Assets</u>	<u>Business-Type Activities - Enterprise Funds</u>		
	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 101,332	\$ 359,994	\$ 461,326
Operating investments	50,000	50,000	100,000
Accounts receivable	3,509	12,245	15,754
Inventory - material and supplies	1,500	-	1,500
Prepaid items	3,354	3,208	6,562
<b>Total current assets</b>	<b>159,695</b>	<b>425,447</b>	<b>585,142</b>
<b>Noncurrent assets:</b>			
<b>Restricted cash, cash equivalents and investments:</b>			
Customer deposits cash	5,924	-	5,924
Customer deposits investments	4,000	-	4,000
Revenue bond covenant accounts cash	1,442	201,448	202,890
Revenue bond covenant accounts investments	100,000	-	100,000
Improvement cash	33,823	197,926	231,749
Improvement investments	50,000	-	50,000
<b>Total restricted assets</b>	<b>195,189</b>	<b>399,374</b>	<b>594,563</b>
Deferred charges	554	63,968	64,522
<b>Capital assets:</b>			
Land, improvements to land and construction in progress	10,933	1,272,937	1,283,870
Other capital assets (net of accumulated depreciation)	1,208,551	1,352,414	2,560,965
<b>Total capital assets</b>	<b>1,219,484</b>	<b>2,625,351</b>	<b>3,844,835</b>
<b>Total noncurrent assets</b>	<b>1,415,227</b>	<b>3,088,693</b>	<b>4,503,920</b>
<b>Total assets</b>	<b>1,574,922</b>	<b>3,514,140</b>	<b>5,089,062</b>
<b><u>Liabilities</u></b>			
<b>Current liabilities:</b>			
Accounts payable	3,946	4,685	8,631
Taxes payable	850	-	850
Accrued wages and benefits payable	1,691	1,917	3,608
<b>Current liabilities payable from restricted assets:</b>			
Contracts payable	-	14,820	14,820
Retainage payable	-	46,356	46,356
Customer deposits	9,924	-	9,924
Accrued interest payable	-	6,438	6,438
<b>Total current liabilities</b>	<b>16,411</b>	<b>74,216</b>	<b>90,627</b>
<b>Noncurrent liabilities:</b>			
Revenue bonds payable (net of unamortized discount: 2004, \$156 Water Utility)	11,844	1,545,337	1,557,181
<b>Total liabilities</b>	<b>28,255</b>	<b>1,619,553</b>	<b>1,647,808</b>
<b><u>Net Assets</u></b>			
Invested in capital assets, net of related debt	1,207,640	1,080,014	2,287,654
Restricted for debt service	101,442	201,448	302,890
Restricted for other purposes	83,823	197,926	281,749
Unrestricted	153,762	415,199	568,961
<b>Total net assets</b>	<b>\$ 1,546,667</b>	<b>\$ 1,894,587</b>	<b>\$ 3,441,254</b>

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

TOWN OF ASHLEY  
STATEMENT OF REVENUES, EXPENSES AND OTHER CHANGES IN FUND NET ASSETS  
ENTERPRISE FUNDS  
For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Operating revenues:			
Metered water revenue	\$ 238,633	\$ -	\$ 238,633
Fire protection revenue	43,373	-	43,373
Measured wastewater revenue	-	439,731	439,731
Other	4,815	24,061	28,876
	<u>286,821</u>	<u>463,792</u>	<u>750,613</u>
Total operating revenues			
Operating expenses:			
Salaries and wages	75,897	89,600	165,497
Employee pensions and benefits	28,126	25,956	54,082
Purchased power	27,084	35,586	62,670
Sludge removal	-	5,027	5,027
Chemicals	2,612	3,082	5,694
Materials and supplies	13,205	9,866	23,071
Contractual services	11,530	13,719	25,249
Insurance expense	3,792	3,295	7,087
Depreciation	34,727	61,802	96,529
Miscellaneous expenses	7,484	6,001	13,485
	<u>204,457</u>	<u>253,934</u>	<u>458,391</u>
Total operating expenses			
Operating income	<u>82,364</u>	<u>209,858</u>	<u>292,222</u>
Nonoperating revenues (expenses):			
Interest and investment revenue	3,468	7,332	10,800
Interest expense	(2,107)	(21,455)	(23,562)
Amortization of bond issue costs	(557)	(2,241)	(2,798)
	<u>804</u>	<u>(16,364)</u>	<u>(15,560)</u>
Total nonoperating revenue (expenses)			
Change in net assets	83,168	193,494	276,662
Total net assets - beginning	<u>1,463,499</u>	<u>1,701,093</u>	<u>3,164,592</u>
Total net assets - ending	<u>\$ 1,546,667</u>	<u>\$ 1,894,587</u>	<u>\$ 3,441,254</u>

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

TOWN OF ASHLEY  
 RECONCILIATION OF THE STATEMENT OF NET ASSETS AND THE STATEMENT OF REVENUES,  
 EXPENSES AND OTHER CHANGES IN FUND NET ASSETS OF THE ENTERPRISE FUNDS TO  
 THE STATEMENT OF CASH AND INVESTMENT BALANCES AND THE STATEMENT OF CASH ACTIVITIES  
 December 31, 2005

Net assets of business-type activities reported in the enterprise fund statement of net assets	\$ 3,441,254
Amounts reported for net assets of business-type activities in the enterprise fund statements are different because:	
Capital assets are reported as disbursements in the year of acquisition in the government-wide financial statements, but are capitalized and amortized over a period of years in the enterprise fund statements.	(3,844,835)
Long-term debt is reported as a cash receipt in the year the proceeds are obtained in the government-wide financial statements, but are reported as a liability and expensed over the life of the debt in the enterprise fund statements.	1,557,181
Short-term receivables and payables are reported as cash receipts or cash disbursements in the current year in the government-wide financial statements, but are accrued and reported in the period the benefit is derived or liability is incurred in the fund statements.	<u>2,289</u>
Net assets of business-type activities reported in the government-wide financial statements	<u>\$ 1,155,889</u>

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

TOWN OF ASHLEY  
STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
For The Year Ended December 31, 2005

	Water Utility	Wastewater Utility	Total
Cash flows from operating activities:			
Receipts from customers and users	\$ 285,611	\$ 461,463	\$ 747,074
Payments to suppliers	(95,342)	(103,703)	(199,045)
Payments to employees	(75,838)	(89,399)	(165,237)
	<u>114,431</u>	<u>268,361</u>	<u>382,792</u>
Net cash provided by operating activities			
Cash flows from capital and related financing activities:			
Proceeds from capital debt	-	974,337	974,337
Acquisition and construction of capital assets	(20,118)	(949,369)	(969,487)
Principal paid on capital debt	(11,000)	(42,000)	(53,000)
Interest paid on capital debt	(1,810)	(21,455)	(23,265)
Bond issue costs paid	-	(34,205)	(34,205)
	<u>(32,928)</u>	<u>(72,692)</u>	<u>(105,620)</u>
Net cash used by capital and related financing activities			
Cash flows from investing activities:			
Purchase of investments	(100,000)	(150,000)	(250,000)
Sale of investments	146,000	250,000	396,000
Interest received	3,464	9,503	12,967
	<u>130,967</u>	<u>305,172</u>	<u>436,139</u>
Net increase in cash and cash equivalents			
Cash and cash equivalents, January 1 (Including \$145,521 and \$384,270 for the Water Utility and Wastewater Utility, respectively, reported in restricted accounts)			
	<u>157,550</u>	<u>454,196</u>	<u>611,746</u>
Cash and cash equivalents, December 31 (Including \$187,189 and \$399,374 for the Water Utility and Wastewater Utility, respectively, reported in restricted accounts)			
	<u>\$ 288,517</u>	<u>\$ 759,368</u>	<u>\$ 1,047,885</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	<u>\$ 82,364</u>	<u>\$ 209,858</u>	<u>\$ 292,222</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	34,727	61,802	96,529
(Increase) decrease in assets:			
Accounts receivable	(1,210)	(2,329)	(3,539)
Prepaid items	(129)	(334)	(463)
Increase (decrease) in liabilities:			
Customer deposits	725	-	725
Accounts payable	(2,085)	(862)	(2,947)
Taxes payable	(28)	-	(28)
Accrued wages and benefits payable	67	226	293
	<u>32,067</u>	<u>58,503</u>	<u>90,570</u>
Total adjustments			
Net cash provided by operating activities	<u>\$ 114,431</u>	<u>\$ 268,361</u>	<u>\$ 382,792</u>
Noncash investing, capital and financing activities:			
Interest capitalized on construction	\$ -	\$ 6,438	
Capital asset additions included in payables	-	61,176	

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

TOWN OF ASHLEY  
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENTS  
 FIDUCIARY FUND  
 For The Year Ended December 31, 2005

	<u>Agency Fund</u>
Cash and investments - January 1	\$ <u>          -</u>
Additions	471,667
Deductions	<u>471,667</u>
Cash and investments - December 31	<u><u>          -</u></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.

These financial statements present the Town (primary government). There are no significant component units which require inclusion.

B. Government-Wide and Fund Financial Statements

Government-wide financial statements, (i.e., the Statement of Cash and Investments and the Statement of Cash Activities) report information on all of the nonfiduciary activities of the Town. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Cash Activities demonstrates the degree to which direct disbursements of a given function or segment are offset by program receipts. Direct disbursements are clearly identifiable with a specific function or segment. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program receipts are reported instead as general receipts.

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.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, governmental fund and fiduciary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash 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. Receipts are recorded when received and disbursements are recorded when paid.

The cash basis of accounting differs from accounting principles generally accepted in the United States 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.

The enterprise fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The Town reports the following major governmental funds:

The general fund is the Town's primary operating fund and accounts for all financial resources of the Town, except those required to be accounted for in another fund.

The highways and streets fund (special revenue) accounts for the financial resources and expenses for construction, operation and maintenance of local and arterial roads and street system. The motor vehicle highway and local roads and streets funds have been combined to form the highways and streets fund.

The TIF fund (capital projects) accounts for the City's use of TIF property tax revenues.

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

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the primary government's water distribution system.

The wastewater utility fund accounts for the operation of the primary government's 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 payroll and serve as control of accounts for certain cash transactions during the time they are a liability to the Town.

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 primary government 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 governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Enterprise funds distinguish operating revenues from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a enterprise fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

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

D. Assets and Net Assets or Equity

1. Deposits and Investments

State statute (IC 5-13-9) authorizes 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.

a. Governmental and Fiduciary Funds

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

b. Enterprise Funds

The enterprise fund's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Nonparticipating certificates of deposit, demand deposits, and similar nonparticipating negotiable instruments that are not reported as cash and cash equivalents are reported as investments at cost.

Investment income, including changes in the fair value of investments, is reported as revenue in the operating statement.

2. Property Taxes

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 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.

3. Inventories and Prepaid Items – Enterprise Funds

All inventories are valued at cost using the first in/first out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the enterprise fund financial statements.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

4. Interfund Transactions – Enterprise Funds

During the course of operations, the individual enterprise funds have numerous transactions with the governmental funds and other enterprise funds. Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “interfund receivables/payables” (i.e., the current and noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “interfund services provided/used.” To the extent that these transactions have not been paid or received at year end, balances of these receivables/payables have been recorded in the statement of net assets of the enterprise funds.

5. Restricted Assets – Enterprise Funds

Certain proceeds of the enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net assets since their use is limited by applicable bond indentures or governing body action.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the enterprise fund statement of net assets.

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.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods and estimated useful lives of capital assets reported in the enterprise fund financial statements are as follows:

	Capitalization Threshold	Depreciation Method	Estimated Useful Life
Buildings	\$ 1,000	Straight-line	44 years
Improvements other than buildings	1,000	Straight-line	44 to 67 years
Machinery and equipment	1,000	Straight-line	7 to 25 years

On May 8, 2006, the Town Council adopted Ordinance number 2006-8 which increased the capitalization threshold to \$5,000.

For depreciated assets, the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of the enterprise funds is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the primary government in its enterprise funds during 2005 was \$27,893.

Of the amount, \$6,438 was included as part of the cost of capital assets under construction in connection with the wastewater treatment facility improvement project.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

7. Compensated Absences

a. Sick Leave

Employees earn sick leave at the rate of 6 days per year. Unused sick leave may be accumulated to a maximum of 30 days. Accumulated sick leave is not paid to employees.

b. Vacation Leave

Employees earn vacation leave at rates from 10 days to 20 days per year based upon the number of years of service. Vacation leave does not accumulate from year to year.

c. Personal Leave

Employees earn personal leave at the rate of 3 days per year. Personal leave does not accumulate from year to year.

No liability is reported for sick leave.

8. Long-Term Obligations

In the enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

II. Stewardship, Compliance and Accountability

Budgetary Information

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

On or before August 31, 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. In September of each year, 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 without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the total appropriations for any budgeted fund or any department of the general fund. The legal level of budgetary control is by function for all budgeted funds.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 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. At December 31, 2005, the bank balance held at Farmers State Bank in the amount of \$1,208,998 was collateralized with securities held by the pledging financial institution. The remaining bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2005, the Town had the following investments:

Investment Type	Primary Government Market Value	Investment Maturities (in Years)		
		Less Than 1	1-2	More Than 2
U.S. Treasury Securities	\$ 1,208,998	\$1,208,998	\$ -	\$ -

Investment Policies

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

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

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments. At December 31, 2005, the Town held investments in Farmers State Bank in the amount of \$1,208,998. Of these investments \$1,208,998 were held by the counterparty's trust department or agent but not in the Town's name.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The School Corporation must follow state statute and limit the stated final maturities of the investments to no more than two years.

B. Capital Assets

Capital asset activity for the years ended December 31, 2004 and 2005, follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2004:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 79,684	\$ -	\$ -	\$ 79,684
Buildings	1,045,850	28,942	-	1,074,792
Machinery and equipment	691,819	21,500	-	713,319
Construction in progress	-	61,102	28,942	32,160
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total governmental activities capital assets not being depreciated	<u>\$ 1,817,353</u>	<u>\$ 111,544</u>	<u>\$ 28,942</u>	<u>\$ 1,899,955</u>

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2004 (continued):				
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 10,933	\$ -	\$ -	\$ 10,933
Capital assets, being depreciated:				
Buildings	228,803	-	-	228,803
Improvements other than buildings	1,166,845	8,572	16,666	1,158,751
Machinery and equipment	470,262	-	1,603	468,659
Less accumulated depreciation for:				
Buildings	(74,152)	(4,577)	-	(78,729)
Improvements other than buildings	(344,243)	(19,412)	(11,613)	(352,042)
Machinery and equipment	(191,984)	(11,901)	(1,603)	(202,282)
Total Water Utility capital assets, net	<u>1,266,464</u>	<u>(27,318)</u>	<u>5,053</u>	<u>1,234,093</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	5,926	-	-	5,926
Construction in progress	248,410	7,140	-	255,550
Capital assets, being depreciated:				
Improvements other than buildings	1,480,462	-	-	1,480,462
Machinery and equipment	742,113	-	10,045	732,068
Less accumulated depreciation for:				
Improvements other than buildings	(340,542)	(25,783)	-	(366,325)
Machinery and equipment	(411,152)	(36,404)	(10,045)	(437,511)
Total Wastewater Utility capital assets, net	<u>1,725,217</u>	<u>(55,047)</u>	<u>-</u>	<u>1,670,170</u>
Total business-type activities capital assets, net	<u>\$ 2,991,681</u>	<u>\$ (82,365)</u>	<u>\$ 5,053</u>	<u>\$ 2,904,263</u>
2005:				
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 79,684	\$ -	\$ -	\$ 79,684
Infrastructure	-	42,298	-	42,298
Buildings	1,074,792	46,997	-	1,121,789
Improvements other than buildings	-	111,608	-	111,608
Machinery and equipment	713,319	132,400	-	845,719
Construction in progress	32,160	113,841	146,001	-
Total governmental activities, capital assets not being depreciated	<u>\$ 1,899,955</u>	<u>\$ 447,144</u>	<u>\$ 146,001</u>	<u>\$ 2,201,098</u>

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	Beginning Balance	Increases	Decreases	Ending Balance
2005 (continued):				
Business-type activities:				
Water Utility:				
Capital assets, not being depreciated:				
Land	\$ 10,933	\$ -	\$ -	\$ 10,933
Capital assets, being depreciated:				
Buildings	228,803	-	-	228,803
Improvements other than buildings	1,158,751	15,618	-	1,174,369
Machinery and equipment	468,659	4,500	5,000	468,159
Less accumulated depreciation for:				
Buildings	(78,729)	(4,576)	-	(83,305)
Improvements other than buildings	(352,042)	(20,443)	-	(372,485)
Machinery and equipment	<u>(202,282)</u>	<u>(9,708)</u>	<u>(5,000)</u>	<u>(206,990)</u>
Total Water Utility capital assets, net	<u>1,234,093</u>	<u>(14,609)</u>	<u>-</u>	<u>1,219,484</u>
Wastewater Utility:				
Capital assets, not being depreciated:				
Land	5,926	-	-	5,926
Construction in progress	255,550	1,011,461	-	1,267,011
Capital assets, being depreciated:				
Buildings	-	-	-	-
Improvements other than buildings	1,480,462	5,522	-	1,485,984
Machinery and equipment	732,068	-	5,000	727,068
Less accumulated depreciation for:				
Buildings	-	-	-	-
Improvements other than buildings	(366,325)	(25,908)	-	(392,233)
Machinery and equipment	<u>(437,511)</u>	<u>(35,894)</u>	<u>(5,000)</u>	<u>(468,405)</u>
Total Wastewater Utility capital assets, net	<u>1,670,170</u>	<u>955,181</u>	<u>-</u>	<u>2,625,351</u>
Total business-type activities capital assets, net	<u>\$ 2,904,263</u>	<u>\$ 940,572</u>	<u>\$ -</u>	<u>\$ 3,844,835</u>

The Town has decided to not report infrastructure retroactively.

C. Construction Commitments

Construction work in progress is composed of the following:

<u>Project</u>	Total Project Authorized	Expended to December 31, 2005	Committed
Enterprise funds: Wastewater Treatment Facility Improvements	<u>\$ 3,600,000</u>	<u>\$ 1,267,011</u>	<u>\$ 2,332,989</u>

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

D. Capital Lease

The Town has entered into a capital lease for a fire truck. Future minimum lease payments and present values of the net minimum lease payments under the capital lease as of December 31, 2005, for the years ended December 31, are as follows:

2006	\$	21,194
2007		<u>21,194</u>
Total minimum lease payments		42,388
Less amount representing interest		<u>3,444</u>
Present value of net minimum lease payments		<u><u>\$ 38,944</u></u>

The assets acquired through capital leases still in effect are as follows:

		<u>Governmental Activities</u>
Machinery and equipment	\$	<u>232,180</u>

E. Long-Term Liabilities

1. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds are direct obligations and pledge the full faith and credit of the Town. General obligation bonds currently outstanding at year end are as follows:

Purpose	Interest Rates	Amount
1999 Community center project bonds	3.7% to 4.5%	<u>\$ 103,000</u>

Annual debt service requirements to maturity for general obligation bonds, for the years ended December 31, are as follows:

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Year Ended December 31	Governmental Activities	
	Principal	Interest
2006	\$ 24,000	\$ 4,549
2007	25,000	3,517
2008	26,000	2,417
2009	28,000	1,260
Totals	<u>\$ 103,000</u>	<u>\$ 11,743</u>

2. Revenue Bonds

The Town issues bonds to be paid by income derived from the acquired or constructed assets. Revenue bonds outstanding at year end including the amounts of unamortized bond discount or premium are as follows:

Purpose	Interest Rates	Balance at December 31	Less: Unamortized Discount	Revenue Bonds
2002 Waterworks refunding bonds	7.87%	\$ 12,000	\$ 156	\$ 11,844
1996 Wastewater expansion bonds	3.50%	571,000	-	571,000
2005 Sewage works revenue bonds	4.13%	974,337	-	974,337
Totals		<u>\$ 1,557,337</u>	<u>\$ 156</u>	<u>\$ 1,557,181</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ended December 31	Business-Type Activities	
	Principal	Interest
2006	\$ -	\$ 10,464
2007	56,000	19,687
2008	45,000	17,657
2009	47,000	16,047
2010	48,000	14,385
2011-2015	267,000	44,958
2016-2017	120,000	4,235
Totals	<u>\$ 583,000</u>	<u>\$ 127,433</u>

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Under the terms of the U.S. Department of Agriculture Water and Waste Disposal Systems for Rural Communities program, the Town issued revenue bonds of \$2,250,000. The proceeds of which are set aside to finance the construction of wastewater treatment facility improvements. Funds are dispersed to the Town as construction costs are accrued. As of December 31, 2005, the principal balance was \$974,337. Annual debt service requirements will not be determined until the planned construction project is completed.

3. Changes in Long-Term Debt

Long-term debt activity for the years ended December 31, 2004 and 2005, was as follows:

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2004:				
Governmental activities:				
Bonds payable:				
General obligation	\$ 148,000	\$ -	\$ 22,000	\$ 126,000
Capital lease	<u>73,709</u>	<u>-</u>	<u>16,889</u>	<u>56,820</u>
Total governmental activities long-term liabilities	<u>\$ 221,709</u>	<u>\$ -</u>	<u>\$ 38,889</u>	<u>\$ 182,820</u>
Business-type activities:				
Water Utility:				
Revenue bonds payable	\$ 68,000	\$ -	\$ 45,000	\$ 23,000
Wastewater Utility: Revenue bonds payable	<u>641,000</u>	<u>-</u>	<u>28,000</u>	<u>613,000</u>
Total business-type activities long-term liabilities	<u>\$ 709,000</u>	<u>\$ -</u>	<u>\$ 73,000</u>	<u>\$ 636,000</u>
2005:				
Governmental activities:				
Bonds payable				
General obligation	\$ 126,000	\$ -	\$ 23,000	\$ 103,000
Capital lease	<u>56,820</u>	<u>-</u>	<u>17,876</u>	<u>38,944</u>
Total governmental activities long-term liabilities	<u>\$ 182,820</u>	<u>\$ -</u>	<u>\$ 40,876</u>	<u>\$ 141,944</u>

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

<u>Primary Government</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2005 (continued):				
Business-type activities:				
Water Utility:				
Revenue bonds payable	\$ 23,000	\$ -	\$ 11,000	\$ 12,000
Wastewater Utility:				
Revenue bonds payable	<u>613,000</u>	<u>974,337</u>	<u>42,000</u>	<u>1,545,337</u>
Total business-type activities long-term liabilities	<u>\$ 636,000</u>	<u>\$ 974,337</u>	<u>\$ 53,000</u>	<u>\$ 1,557,337</u>

V. 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 these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk. Risk financing is not utilized for the other risks of loss.

Job Related Illness or Injuries to Employees

During 1998, the Town joined together with other governmental entities to form the Indiana Public Employers' Plan, Inc, a public entity risk pool currently operating as a common risk management and insurance program for approximately three hundred member governmental entities. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation claims. The Town pays an annual premium to the risk pool for its coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Subsequent Events

The Town is planning a water improvement project. The cost is estimated to be between \$1.1 and \$1.2 million. The officials have applied for a \$500,000 grant. The remainder of the cost will be financed by a bond issue.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

C. Rate Structure – Enterprise Funds

Water Utility

On June 12, 1989, the Town Council adopted Ordinance No. 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 Town Council on December 9, 2002.

D. 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 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 and Annual Pension Cost

The contribution requirements of plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 19,192
Interest on net pension obligation	(397)
Adjustment to annual required contribution	453
Annual pension cost	19,248
Contributions made	15,984
Increase in net pension obligation	3,264
Net pension obligation, beginning of year	(5,478)
Net pension obligation, end of year	\$ (2,214)
Contribution rates:	
Town	5.25%
Plan members	3%
Actuarial valuation date	07-01-05
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of Expected Actuarial Value Plus 25% of Market Value

Actuarial Assumptions

Investment rate of return	7.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%

TOWN OF ASHLEY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-03	\$ 14,390	66%	\$ (7,044)
	06-30-04	14,708	89%	(5,478)
	06-30-05	19,248	109%	(2,214)

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)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 132,657	\$ 162,375	\$ (29,718)	82%	\$ 283,093	(10%)
07-01-04	139,695	189,461	(49,766)	74%	349,567	(14%)
07-01-05	152,405	219,991	(67,586)	69%	272,419	(25%)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2765

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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, 2004 and 2005. 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; 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, 2004 and 2005.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

June 5, 2006

TOWN OF ASHLEY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2004 and 2005

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-04	Total Federal Awards Expended 12-31-05
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct grant				
Water and Waste Disposal Systems for Rural Communities Wastewater Treatment Facility Improvement Project Loan	10.760		\$ -	\$ 974,337
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct grant				
Bulletproof Vest Partnership Program	16.607		450	-
Pass-Through Indiana Criminal Justice Institute Local Law Enforcement Block Grants Program	16.592	04-LB-055	5,969	-
Total for federal grantor agency			5,969	-
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Town of Hudson				
State and Community Highway Safety Comprehensive Traffic Safety Program	20.600	J8-03-03-59	2,475	1,725
Total federal awards expended			\$ 8,894	\$ 976,062

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

TOWN OF ASHLEY  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. 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 requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

TOWN OF 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?	no
Reportable conditions 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
Reportable conditions 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
10.760	Water and Waste Disposal Systems for Rural Communities

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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  
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2006, with Karen McEntarfer, Clerk-Treasurer; and Randy McEntarfer, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.