

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

AUDIT REPORT  
OF  
TOWN OF ORESTES  
MADISON COUNTY, INDIANA  
January 1, 2004 to December 31, 2005



**FILED**  
11/01/2006



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erin A. Atwood	01-01-04 to 12-31-07
President of the Town Council	John T. Shettle	01-01-04 to 12-31-06
Superintendent of Water Utility	Neal McKee	01-01-04 to 12-31-06
Superintendent of Wastewater Utility	Neal McKee	01-01-04 to 12-31-06



**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 ORESTES, MADISON 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 Orestes (Town), as of and for the years ended December 31, 2004 and 2005, 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, 2004 and 2005, 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 September 7, 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. Our report on compliance and on internal control over financial reporting should be read along with this report.

Our audit was performed for the purpose of forming an opinion on the basic 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 basic

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

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 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 Debt are presented for additional analysis and are not a required part 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 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

September 7, 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 ORESTES, MADISON COUNTY, INDIANA

We have audited the financial statements of the Town of Orestes (Town), as of and for the years ended December 31, 2004 and 2005, and have issued our report thereon dated September 07, 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

September 7, 2006

TOWN OF ORESTES  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2004

Functions/Programs	Disbursements	Program Receipts		Net (Disbursement) Receipt and Changes in Net Assets		
		Charges for Services	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities:						
General government	\$ 86,480	\$ 2,428	\$ -	\$ (84,052)	\$ -	\$ (84,052)
Public safety	692	-	-	(692)	-	(692)
Highways and streets	47,538	-	-	(47,538)	-	(47,538)
Interest on long-term debt	1,043	-	-	(1,043)	-	(1,043)
Total governmental activities	<u>135,753</u>	<u>2,428</u>	<u>-</u>	<u>(133,325)</u>	<u>-</u>	<u>(133,325)</u>
Business-type activities:						
Water	129,753	88,219	-	-	(41,534)	(41,534)
Wastewater	563,426	187,593	399,428	-	23,595	23,595
Storm water	19,870	24,822	-	-	4,952	4,952
Trash	15,231	14,945	-	-	(286)	(286)
Total business-type activities	<u>728,280</u>	<u>315,579</u>	<u>399,428</u>	<u>-</u>	<u>(13,273)</u>	<u>(13,273)</u>
Total primary government	<u>\$ 864,033</u>	<u>\$ 318,007</u>	<u>\$ 399,428</u>	<u>(133,325)</u>	<u>(13,273)</u>	<u>(146,598)</u>
General receipts:						
Property taxes				70,490	-	70,490
Other local sources				60,264	-	60,264
Bonds and loans				75,175	-	75,175
Total general receipts				<u>205,929</u>	<u>-</u>	<u>205,929</u>
Change in net assets				72,604	(13,273)	59,331
Net assets - beginning				<u>149,481</u>	<u>95,383</u>	<u>244,864</u>
Net assets - ending				<u>\$ 222,085</u>	<u>\$ 82,110</u>	<u>\$ 304,195</u>
<u>Assets</u>						
Cash and investments				\$ 157,290	\$ 10,979	\$ 168,269
Restricted assets:						
Cash and investments				<u>64,795</u>	<u>71,131</u>	<u>135,926</u>
Total assets				<u>\$ 222,085</u>	<u>\$ 82,110</u>	<u>\$ 304,195</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ (10,686)	\$ 24,013	\$ 13,327
Other purposes				75,481	47,118	122,599
Unrestricted				<u>157,290</u>	<u>10,979</u>	<u>168,269</u>
Total net assets				<u>\$ 222,085</u>	<u>\$ 82,110</u>	<u>\$ 304,195</u>

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

TOWN OF ORESTES  
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, 2004

	General	Cumulative Capital Development	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 45,754	\$ 8,811	\$ 15,925	\$ 70,490
Licenses and permits	25	-	180	205
Intergovernmental	30,326	507	19,367	50,200
Charges for services	1,915	-	513	2,428
Fines and forfeits	-	-	691	691
Other	9,005	-	163	9,168
	<u>87,025</u>	<u>9,318</u>	<u>36,839</u>	<u>133,182</u>
Total receipts				
Disbursements:				
General government	72,102	-	378	72,480
Public safety	-	-	692	692
Highways and streets	-	-	30,079	30,079
Debt service:				
Principal	-	-	14,000	14,000
Interest	-	-	1,043	1,043
Capital outlay:				
Highways and streets	-	17,459	-	17,459
	<u>72,102</u>	<u>17,459</u>	<u>46,192</u>	<u>135,753</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>14,923</u>	<u>(8,141)</u>	<u>(9,353)</u>	<u>(2,571)</u>
Other financing sources (uses)				
Other receipts	<u>75,175</u>	<u>-</u>	<u>-</u>	<u>75,175</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses				
	90,098	(8,141)	(9,353)	72,604
Cash and investment fund balance - beginning	<u>67,192</u>	<u>29,995</u>	<u>52,294</u>	<u>149,481</u>
Cash and investment fund balance - ending	<u>\$ 157,290</u>	<u>\$ 21,854</u>	<u>\$ 42,941</u>	<u>\$ 222,085</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 157,290	\$ -	\$ -	\$ 157,290
Restricted assets:				
Cash and investments	<u>-</u>	<u>21,854</u>	<u>42,941</u>	<u>64,795</u>
Total cash and investment assets - December 31	<u>\$ 157,290</u>	<u>\$ 21,854</u>	<u>\$ 42,941</u>	<u>\$ 222,085</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ -	\$ (10,686)	\$ (10,686)
Other purposes	-	21,854	53,627	75,481
Unrestricted	<u>157,290</u>	<u>-</u>	<u>-</u>	<u>157,290</u>
Total cash and investment fund balance - December 31	<u>\$ 157,290</u>	<u>\$ 21,854</u>	<u>\$ 42,941</u>	<u>\$ 222,085</u>

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

TOWN OF ORESTES  
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, 2004

	Water Utility	Wastewater Utility	Storm Water Utility	Trash Utility	Total
Operating receipts:					
Metered water receipts:					
Residential	\$ 69,462	\$ 99,825	\$ 436	\$ -	\$ 169,723
Commercial	11,722	20,694	15	-	32,431
Penalties	425	-	-	-	425
Other receipts - federal grants	-	448,944	-	-	448,944
Other	6,610	-	24,415	17,498	48,523
	<u>88,219</u>	<u>569,463</u>	<u>24,866</u>	<u>17,498</u>	<u>700,046</u>
Total operating receipts					
Operating disbursements:					
Equipment and capital improvements	-	437,238	-	-	437,238
Salaries and wages	12,725	8,479	-	-	21,204
Employee pensions and benefits	5,554	3,558	-	-	9,112
Purchased power	3,829	9,692	-	-	13,521
Chemicals	669	169	-	-	838
Material and supplies	26,735	-	98	-	26,833
Contractual services	59,092	8,772	19,728	17,784	105,376
Transportation disbursements	379	5	-	-	384
Insurance disbursements	8,956	1,189	-	-	10,145
Miscellaneous disbursements	11,814	3,807	88	-	15,709
	<u>129,753</u>	<u>472,909</u>	<u>19,914</u>	<u>17,784</u>	<u>640,360</u>
Total operating disbursements					
Excess (deficiency) of operating receipts over operating disbursements					
	<u>(41,534)</u>	<u>96,554</u>	<u>4,952</u>	<u>(286)</u>	<u>59,686</u>
Nonoperating receipts (disbursements):					
Debt service of principal	-	(39,000)	-	-	(39,000)
Interest and investment disbursement	-	(33,959)	-	-	(33,959)
	<u>-</u>	<u>(72,959)</u>	<u>-</u>	<u>-</u>	<u>(72,959)</u>
Total nonoperating receipts (disbursements)					
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)					
	<u>(41,534)</u>	<u>23,595</u>	<u>4,952</u>	<u>(286)</u>	<u>(13,273)</u>
Transfers in					
	-	17,558	-	-	17,558
Transfers out					
	<u>-</u>	<u>(17,558)</u>	<u>-</u>	<u>-</u>	<u>(17,558)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out					
	<u>(41,534)</u>	<u>23,595</u>	<u>4,952</u>	<u>(286)</u>	<u>(13,273)</u>
Cash and investment fund balance - beginning					
	<u>58,825</u>	<u>34,400</u>	<u>4,398</u>	<u>(2,240)</u>	<u>95,383</u>
Cash and investment fund balance - ending					
	<u>\$ 17,291</u>	<u>\$ 57,995</u>	<u>\$ 9,350</u>	<u>\$ (2,526)</u>	<u>\$ 82,110</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 8,570	\$ 2,409	\$ -	\$ -	\$ 10,979
Restricted assets:					
Cash and investments	8,721	55,586	9,350	(2,526)	71,131
Total cash and investment assets - December 31					
	<u>\$ 17,291</u>	<u>\$ 57,995</u>	<u>\$ 9,350</u>	<u>\$ (2,526)</u>	<u>\$ 82,110</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ 24,013	\$ -	\$ -	\$ 24,013
Other purposes	8,721	31,573	-	-	47,118
Unrestricted					
	<u>8,570</u>	<u>2,409</u>	<u>9,350</u>	<u>(2,526)</u>	<u>10,979</u>
Total cash and investment fund balance - December 31					
	<u>\$ 17,291</u>	<u>\$ 57,995</u>	<u>\$ 9,350</u>	<u>\$ (2,526)</u>	<u>\$ 82,110</u>

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

STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2005

<u>Functions/Programs</u>	<u>Disbursements</u>	Program Receipts	Net (Disbursement) Receipt and Changes in Net Assets		
		<u>Charges for Services</u>	Primary Government		
			Governmental Activities	Business-Type Activities	Total
Primary government:					
Governmental activities:					
General government	\$ 186,191	\$ 2,660	\$ (183,531)	\$ -	\$ (183,531)
Public safety	881	-	(881)	-	(881)
Highways and streets	42,546	-	(42,546)	-	(42,546)
Interest on long-term debt	1,386	-	(1,386)	-	(1,386)
Total governmental activities	231,004	2,660	(228,344)	-	(228,344)
Business-type activities:					
Water	84,389	93,559	-	9,170	9,170
Wastewater	134,425	138,816	-	4,391	4,391
Storm water	5,427	40,195	-	34,768	34,768
Trash	18,406	21,077	-	2,671	2,671
Total business-type activities	242,647	293,647	-	51,000	51,000
Total primary government	\$ 473,651	\$ 296,307	(228,344)	51,000	(177,344)
General receipts:					
Property taxes			123,866	-	123,866
Other local sources			63,134	-	63,134
Transfers			10,686	-	10,686
Total general receipts and transfers			197,686	-	197,686
Change in net assets			(30,658)	51,000	20,342
Net assets - beginning			222,085	82,110	304,195
Net assets - ending			\$ 191,427	\$ 133,110	\$ 324,537
<u>Assets</u>					
Cash and investments			\$ 111,316	\$ 6,861	\$ 118,177
Restricted assets:					
Cash and investments			80,111	126,249	206,360
Total assets			\$ 191,427	\$ 133,110	\$ 324,537
<u>Net Assets</u>					
Restricted for:					
Debt service			\$ 18,493	\$ 46,205	\$ 64,698
Other purposes			61,618	80,044	141,662
Unrestricted			111,316	6,861	118,177
Total net assets			\$ 191,427	\$ 133,110	\$ 324,537

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

TOWN OF ORESTES  
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, 2005

	<u>General</u>	<u>Cumulative Capital Development</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Receipts:				
Taxes	\$ 83,167	\$ 10,006	\$ 30,713	\$ 123,886
Licenses and permits	7	-	70	77
Intergovernmental	29,051	738	20,107	49,896
Charges for services	1,930	-	500	2,430
Fines and forfeits	-	-	153	153
Other	<u>11,444</u>	<u>-</u>	<u>383</u>	<u>11,827</u>
Total receipts	<u>125,599</u>	<u>10,744</u>	<u>51,926</u>	<u>188,269</u>
Disbursements:				
General government	172,964	-	227	173,191
Public safety	-	-	881	881
Highways and streets	-	-	23,132	23,132
Debt service:				
Principal	-	-	14,000	14,000
Interest	-	-	386	386
Capital outlay:				
Highways and streets	<u>-</u>	<u>6,608</u>	<u>12,806</u>	<u>19,414</u>
Total disbursements	<u>172,964</u>	<u>6,608</u>	<u>51,432</u>	<u>231,004</u>
Excess (deficiency) of receipts over disbursements	<u>(47,365)</u>	<u>4,136</u>	<u>494</u>	<u>(42,735)</u>
Other financing sources (uses)				
Other receipts	<u>1,391</u>	<u>-</u>	<u>10,686</u>	<u>12,077</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(45,974)	4,136	11,180	(30,658)
Cash and investment fund balance - beginning	<u>157,290</u>	<u>21,854</u>	<u>42,941</u>	<u>222,085</u>
Cash and investment fund balance - ending	<u>\$ 111,316</u>	<u>\$ 25,990</u>	<u>\$ 54,121</u>	<u>\$ 191,427</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 111,316	\$ -	\$ -	\$ 111,316
Restricted assets:				
Cash and investments	<u>-</u>	<u>25,990</u>	<u>54,121</u>	<u>80,111</u>
Total cash and investment assets - December 31	<u>\$ 111,316</u>	<u>\$ 25,990</u>	<u>\$ 54,121</u>	<u>\$ 191,427</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ -	\$ 18,493	\$ 18,493
Other purposes	-	25,990	35,628	61,618
Unrestricted	<u>111,316</u>	<u>-</u>	<u>-</u>	<u>111,316</u>
Total cash and investment fund balance - December 31	<u>\$ 111,316</u>	<u>\$ 25,990</u>	<u>\$ 54,121</u>	<u>\$ 191,427</u>

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

TOWN OF ORESTES  
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, 2005

	Water Utility	Wastewater Utility	Storm Water Utility	Trash Utility	Total
Operating receipts:					
Metered water receipts:					
Residential	\$ 65,813	\$ 95,348	\$ 2,134	\$ -	\$ 163,295
Commercial	13,439	21,896	60	-	35,395
Penalties	400	-	-	-	400
Other receipts - federal grants	-	856	-	-	856
Other	13,907	-	2	16,390	30,299
<b>Total operating receipts</b>	<b>93,559</b>	<b>118,100</b>	<b>2,196</b>	<b>16,390</b>	<b>230,245</b>
Operating disbursements:					
Salaries and wages	15,287	11,945	-	-	27,232
Employee pensions and benefits	6,085	4,338	-	-	10,423
Purchased power	3,741	966	-	-	4,707
Chemicals	770	-	-	-	770
Material and supplies	7,367	438	2,340	-	10,145
Contractual services	34,899	21,158	2,950	18,406	77,413
Transportation disbursements	284	4	-	-	288
Insurance disbursements	8,635	850	-	-	9,485
Miscellaneous disbursements	7,321	1,624	138	-	9,083
<b>Total operating disbursements</b>	<b>84,389</b>	<b>41,323</b>	<b>5,428</b>	<b>18,406</b>	<b>149,546</b>
Excess (deficiency) of operating receipts over operating disbursements	9,170	76,777	(3,232)	(2,016)	80,699
Nonoperating receipts (disbursements):					
Debt service of principal	-	(42,000)	-	-	(42,000)
Interest and investment disbursement	-	(30,690)	-	-	(30,690)
Miscellaneous disbursements	-	(20,412)	-	-	(20,412)
<b>Total nonoperating receipts (disbursements)</b>	<b>-</b>	<b>(93,102)</b>	<b>-</b>	<b>-</b>	<b>(93,102)</b>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	9,170	(16,325)	(3,232)	(2,016)	(12,403)
Transfers in	-	20,716	38,000	4,687	63,403
Transfers out	-	-	-	-	-
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	9,170	4,391	34,768	2,671	51,000
Cash and investment fund balance - beginning	17,291	57,995	9,350	(2,526)	82,110
<b>Cash and investment fund balance - ending</b>	<b>\$ 26,461</b>	<b>\$ 62,386</b>	<b>\$ 44,118</b>	<b>\$ 145</b>	<b>\$ 133,110</b>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 3,555	\$ 3,306	\$ -	\$ -	\$ 6,861
Restricted assets:					
Cash and investments	22,906	59,080	44,118	145	126,249
<b>Total cash and investment assets - December 31</b>	<b>\$ 26,461</b>	<b>\$ 62,386</b>	<b>\$ 44,118</b>	<b>\$ 145</b>	<b>\$ 133,110</b>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ 46,205	\$ -	\$ -	\$ 46,205
Other purposes	22,906	12,875	44,118	145	80,044
Unrestricted	3,555	3,306	-	-	6,861
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 26,461</b>	<b>\$ 62,386</b>	<b>\$ 44,118</b>	<b>\$ 145</b>	<b>\$ 133,110</b>

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

TOWN OF ORESTES  
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, planning, water, wastewater, storm water, and trash.

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

Primary Government

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 display 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 non-exchange 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, liabilities, 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 cumulative capital development fund is used to account for receipts and disbursements of taxes levied under Indiana Code 36-9-15.5 for capital project uses.

The Town reports the following major proprietary 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.

TOWN OF ORESTES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The storm water utility fund accounts for the operation of the storm water collection system.

The trash utility fund accounts for the operation of trash collection system.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and proprietary 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 the utilities. 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.

D. Assets and Cash and Investment Balances

1. 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.

TOWN OF ORESTES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. 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.

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

It is the Town's policy to first use restricted net assets prior to the use of unrestricted net assets when a disbursement is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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

TOWN OF ORESTES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and 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 and balances 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 and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

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

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 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.

TOWN OF ORESTES  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

B. Cash and Investment Balance Deficits

At December 31, 2004, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and State statute:

Fund	2004
Debt Service	\$ 10,686
Wastewater Utility - Trash	2,526

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

III. Detailed Notes on All Funds

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. 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; job related illnesses or injuries to employees; 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.

B. Rate Structure – Enterprise Funds

Water Utility

On May 26, 1998, the Town Council adopted Ordinance No. 3-98 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on October 26, 2004.

Wastewater Utility

The current rate structure was approved by the Town Council on February 26, 2002.

TOWN OF ORESTES  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Storm Water Utility

The current rate structure was approved by the Town Council on March 26, 2002.

Trash Utility

The current rate structure was approved by the Town Council on January 26, 1993.

TOWN OF ORESTES  
 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, 2004

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Riverboat Fund	Trailer Deposits	Tax Abatement
<b>Receipts:</b>						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	130	-	50	-
Intergovernmental	10,924	4,240	-	2,106	-	-
Charges for services	-	-	13	-	-	500
Fines and forfeits	-	-	691	-	-	-
Other	-	-	30	-	-	-
<b>Total receipts</b>	<b>10,924</b>	<b>4,240</b>	<b>864</b>	<b>2,106</b>	<b>50</b>	<b>500</b>
<b>Disbursements:</b>						
General government	-	-	-	-	-	-
Public safety	-	-	692	-	-	-
Highways and streets	12,685	17,394	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
<b>Total disbursements</b>	<b>12,685</b>	<b>17,394</b>	<b>692</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(1,761)	(13,154)	172	2,106	50	500
Cash and investment fund balance - beginning	14,413	27,065	634	2,112	1,235	2,230
Cash and investment fund balance - ending	<u>\$ 12,652</u>	<u>\$ 13,911</u>	<u>\$ 806</u>	<u>\$ 4,218</u>	<u>\$ 1,285</u>	<u>\$ 2,730</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
<b>Restricted assets:</b>						
Cash and investments	<u>\$ 12,652</u>	<u>\$ 13,911</u>	<u>\$ 806</u>	<u>\$ 4,218</u>	<u>\$ 1,285</u>	<u>\$ 2,730</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
<b>Restricted for:</b>						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	12,652	13,911	806	4,218	1,285	2,730
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 12,652</u></b>	<b><u>\$ 13,911</u></b>	<b><u>\$ 806</u></b>	<b><u>\$ 4,218</u></b>	<b><u>\$ 1,285</u></b>	<b><u>\$ 2,730</u></b>

TOWN OF ORESTES  
 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, 2004  
 (Continued)

	Community	Build Indiana	Debt Service	Cumulative Capital Improvement	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 15,925	\$ -	\$ 15,925
Licenses and permits	-	-	-	-	180
Intergovernmental	-	-	850	1,247	19,367
Charges for services	-	-	-	-	513
Fines and forfeits	-	-	-	-	691
Other	-	133	-	-	163
<b>Total receipts</b>	<b>-</b>	<b>133</b>	<b>16,775</b>	<b>1,247</b>	<b>36,839</b>
<b>Disbursements:</b>					
General government	-	378	-	-	378
Public safety	-	-	-	-	692
Highways and streets	-	-	-	-	30,079
<b>Debt service:</b>					
Principal	-	-	14,000	-	14,000
Interest	-	-	1,043	-	1,043
<b>Total disbursements</b>	<b>-</b>	<b>378</b>	<b>15,043</b>	<b>-</b>	<b>46,192</b>
Excess (deficiency) of receipts over disbursements	-	(245)	1,732	1,247	(9,353)
Cash and investment fund balance - beginning	869	2,900	(12,418)	13,254	52,294
Cash and investment fund balance - ending	<u>\$ 869</u>	<u>\$ 2,655</u>	<u>\$ (10,686)</u>	<u>\$ 14,501</u>	<u>\$ 42,941</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
<b>Restricted assets:</b>					
Cash and investments	<u>\$ 869</u>	<u>\$ 2,655</u>	<u>\$ (10,686)</u>	<u>\$ 14,501</u>	<u>\$ 42,941</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
<b>Restricted for:</b>					
Debt service	\$ -	\$ -	\$ (10,686)	\$ -	\$ (10,686)
Other purposes	869	2,655	-	14,501	53,627
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 869</u></b>	<b><u>\$ 2,655</u></b>	<b><u>\$ (10,686)</u></b>	<b><u>\$ 14,501</u></b>	<b><u>\$ 42,941</u></b>

TOWN OF ORESTES  
 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, 2005

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Riverboat Fund	Trailer Deposits	Tax Abatement
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	70	-	-	-
Intergovernmental	10,596	4,207	-	2,106	-	-
Charges for services	-	-	-	-	-	500
Fines and forfeits	-	-	153	-	-	-
Other	100	-	283	-	-	-
<b>Total receipts</b>	<b>10,696</b>	<b>4,207</b>	<b>506</b>	<b>2,106</b>	<b>-</b>	<b>500</b>
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	881	-	-	-
Highways and streets	12,733	10,399	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
Highways and streets	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
<b>Total disbursements</b>	<b>12,733</b>	<b>10,399</b>	<b>881</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(2,037)	(6,192)	(375)	2,106	-	500
Other financing sources (uses)						
Other receipts	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,037)	(6,192)	(375)	2,106	-	500
Cash and investment fund balance - beginning	12,652	13,911	806	4,218	1,285	2,730
Cash and investment fund balance - ending	<u>\$ 10,615</u>	<u>\$ 7,719</u>	<u>\$ 431</u>	<u>\$ 6,324</u>	<u>\$ 1,285</u>	<u>\$ 3,230</u>
<b><u>Cash and Investment Assets - December 31</u></b>						
Restricted assets:						
Cash and investments	<u>\$ 10,615</u>	<u>\$ 7,719</u>	<u>\$ 431</u>	<u>\$ 6,324</u>	<u>\$ 1,285</u>	<u>\$ 3,230</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other purposes	10,615	7,719	431	6,324	1,285	3,230
Unrestricted	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 10,615</u></b>	<b><u>\$ 7,719</u></b>	<b><u>\$ 431</u></b>	<b><u>\$ 6,324</u></b>	<b><u>\$ 1,285</u></b>	<b><u>\$ 3,230</u></b>

TOWN OF ORESTES  
 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, 2005  
 (Continued)

	Community	Build Indiana	Debt Service	Cumulative Capital Improvement	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 30,713	\$ -	\$ 30,713
Licenses and permits	-	-	-	-	70
Intergovernmental	-	-	2,166	1,032	20,107
Charges for services	-	-	-	-	500
Fines and forfeits	-	-	-	-	153
Other	-	-	-	-	383
<b>Total receipts</b>	<b>-</b>	<b>-</b>	<b>32,879</b>	<b>1,032</b>	<b>51,926</b>
<b>Disbursements:</b>					
General government	227	-	-	-	227
Public safety	-	-	-	-	881
Highways and streets	-	-	-	-	23,132
<b>Debt service:</b>					
Principal	-	-	14,000	-	14,000
Interest	-	-	386	-	386
<b>Capital outlay:</b>					
Highways and streets	-	-	-	12,806	12,806
Special assessments	-	-	-	-	-
<b>Total disbursements</b>	<b>227</b>	<b>-</b>	<b>14,386</b>	<b>12,806</b>	<b>51,432</b>
Excess (deficiency) of receipts over disbursements	(227)	-	18,493	(11,774)	494
<b>Other financing sources (uses)</b>					
Other receipts	-	-	10,686	-	10,686
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(227)	-	29,179	(11,774)	11,180
Cash and investment fund balance - beginning	869	2,655	(10,686)	14,501	42,941
Cash and investment fund balance - ending	<u>\$ 642</u>	<u>\$ 2,655</u>	<u>\$ 18,493</u>	<u>\$ 2,727</u>	<u>\$ 54,121</u>
<b>Cash and Investment Assets - December 31</b>					
<b>Restricted assets:</b>					
Cash and investments	<u>\$ 642</u>	<u>\$ 2,655</u>	<u>\$ 18,493</u>	<u>\$ 2,727</u>	<u>\$ 54,121</u>
<b>Cash and Investment Fund Balance - December 31</b>					
<b>Restricted for:</b>					
Debt service	\$ -	\$ -	\$ 18,493	\$ -	\$ 18,493
Other purposes	642	2,655	-	2,727	35,628
Unrestricted	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<u><b>\$ 642</b></u>	<u><b>\$ 2,655</b></u>	<u><b>\$ 18,493</b></u>	<u><b>\$ 2,727</b></u>	<u><b>\$ 54,121</b></u>

TOWN OF ORESTES  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For the Year Ended December 31, 2005

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.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 17,100
Infrastructure	6,196,326
Buildings	289,000
Machinery and equipment	<u>158,075</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 6,660,501</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Buildings	\$ 1,350
Distribution System	774,433
Pumping Equipment	22,296
Improvements Other Than Buildings	3,755
Office Equipment	10,410
Other Equipment	<u>47,593</u>
 Total Water Utility capital assets	 <u>859,837</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Collection System	<u>1,896,477</u>
 Total Wastewater Utility capital assets	 <u>1,896,477</u>
 Stormwater Utility:	
Capital assets, not being depreciated:	
Infrastructure	<u>309,196</u>
 Total Stormwater Utility capital assets	 <u>309,196</u>
 Total business-type activities capital assets	 <u>\$ 3,065,510</u>

TOWN OF ORESTES  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF DEBT

For the Year Ended December 31, 2005

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:		
Notes and loans payable	\$ <u>63,869</u>	\$ <u>11,678</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
2002 - Sanitary Sewer Lines	\$ <u>987,000</u>	\$ <u>43,000</u>

TOWN OF ORESTES  
AUDIT RESULTS AND COMMENTS

DEPOSITS

Approximately 37% of utility customer payments selected for testing were deposited later than the next business day. The date from the customer payment to the date of the deposit into the bank account ranged from zero to five days for accounts selected for testing.

A similar comment was included in the prior Audit Report B23477.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2004 and 2005.

Indiana Code 5-11-13-1 states, in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OVERDRAWN CASH BALANCES

At December 31, 2004, the cash balance of the Wastewater Utility Trash Fund was overdrawn in the amount of \$2,526 and the Debt Service Fund was overdrawn in the amount of \$10,686.

A similar comment appeared in prior Audit Reports B20116 and B23477.

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. Due to lack of deposit records for the years 1991 and 1992; other bookkeeping deficiencies from prior audit periods; and bookkeeping deficiencies for the current audit period; the customer deposit detailed balance could not be determined or verified.

A similar comment appeared in prior Audit Reports B20116 and B23477.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ORESTES  
AUDIT RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS (TOWN AND UTILITIES)

As stated in prior Audit Reports B20116 and B23477, the Town used the Capital Assets Ledger Form but did not maintain it adequately. The Town did not always record asset additions, nor were disposals being recorded.

As stated in prior Audit Reports B20116 and B23477, the information presented for audit indicated that both the Water and Wastewater Utilities do not maintain sufficient detailed records of fixed assets for their Utility Plant in Service accounts. Utility capital assets additions and disposals were not always recorded. When the Utilities dispose of a capital asset, the cost of the asset and the related accumulated depreciation should also be recorded in the records as deletions. Additionally, records providing historical costs for some of the capital assets were not available, and records classifying and summarizing the capital assets were not completed.

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

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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 46204-2765

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 ORESTES, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Orestes (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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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)

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Town's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as item 2005-1.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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

September 07, 2006

TOWN OF ORESTES  
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 HOUSING AND URBAN DEVELOPMENT</u>				
Pass-through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228			
		HD-003-007	\$ 399,428	\$ -
		HD-004-010	-	500,000
		PL-04-012	-	20,236
Total for federal grantor agency			<u>399,428</u>	<u>520,236</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute Local Law Enforcement Block Grant Program	16.592			
		2004-LB BX-0453	9,000	-
Total for federal grantor agency			<u>9,000</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	IFD 1573		
			-	7,394
Total for federal grantor agency			<u>9,000</u>	<u>7,394</u>
Total federal awards expended			<u>\$ 408,428</u>	<u>\$ 527,630</u>

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

TOWN OF ORESTES  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Orestes (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.

II. Subrecipients

Of the federal expenditures presented in the schedule, the Town provided federal awards to subrecipients as follows for the years ended December 31, 2004 and 2005:

Program Title	Federal CFDA Number	2004	2005
Community Development Block Grants/States Program	14.228	\$ -	\$ 500,000

TOWN OF ORESTES  
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?	yes

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program

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.

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

Section III – Federal Award Findings and Questioned Costs

FINDING NO. 2005-1 INTERNAL CONTROL REPORTABLE  
CONDITION/EQUIPMENT AND REAL PROPERTY

Federal Agency: U.S. Department of Housing and Urban Development  
Federal Program: Community Development Block Grants/State's Program  
CFDA Number: 14.228  
Federal Award Number: HD-003-007

The Town of Orestes, including enterprise funds (water and wastewater utilities) does not maintain records for equipment and other property acquired with Federal monies. No system exists to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records.

The Town of Orestes capital asset records are not considered adequate. The Utilities do not adequately maintain their capital asset records in that not all additions or deletions are documented. Property acquired by the Utilities was not documented or listed in the capital asset records.

The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (Common Rule) Subpart C.32 (d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly, without being detected within a reasonable time.

We recommended that the Town of Orestes and Utilities design and properly monitor procedures that would ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted annually and reconciled to the detailed fixed asset ledger. Any significant differences should be investigated and the appropriate adjustments made to the records. Also, any assets acquired with Federal Funds must be designated as such so that they are not disposed of improperly.

**TOWN OF ORESTES  
14 E. OAK STREET  
P.O. BOX 158  
ORESTES, IN 46063  
765-754-7175**

Finding Number 2003-2 Internal Control Reportable Condition/Equipment and Real Property Management

Original SBA Audit Report Number: B23477

Fiscal Year: January 1, 2002 to December 31, 2003

Auditee Contact Person: Erin A. Atwood

Title of Contact Person: Clerk Treasurer

Phone Number: 765-754-7175

The Capital Asset Records have been established and are being maintained by the Town of Orestes.

*Erin A. Atwood*  
*Clerk Treasurer*

**TOWN OF ORESTES  
14 E. OAK STREET  
ORESTES. IN 46063**

CORRECTIVE ACTION PLAN

FINDING NO. 2005-1, INTERNAL CONTROL REPORTABLE CONDITION/LACK OF  
FIXED ASSET RECORDS.

FEDERAL AGENCY: U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT  
FEDERAL PROGRAM: COMMUNITY DEVELOPMENT BLOCK GRANTS/STATE PROGRAM  
CFDA NUMBER: 14.228  
FEDERAL AWARD NUMBER HD-003-007  
AUDITEE: TOWN OF ORESTES  
TITLE OF CONTACT PERSON: CLERK TREASURER  
PHONE NUMBER (765) 754-7175  
EXPECTED COMPLETION DATE: EARLY 2006

To the State Board of Accounts:

The Clerk Treasurer for the Town of Orestes will update and complete the book of "fixed assets".

Signed: Erin A. Otwood  
Title: Clerk Treasurer  
Date: 9-7-06

TOWN OF ORESTES  
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2006 with Erin A. Atwood, Clerk-Treasurer; and John T. Shettle, President of the Town Council. The official response has been made a part of this report and may be found on page 37.

**TOWN OF ORESTES  
ORESTES WATER & WASTEWATER UTILITIES  
14 E. OAK STREET  
P.O. BOX 158  
ORESTES, IN 46063  
765-754-7175-765-754-8995 FAX**

September 11, 2006

OFFICIAL RESPONSE  
State Board of Accounts  
302 W. Washington Street, Room E418  
Indianapolis, IN 46204-2738

Dear Sir,

I was aware that deposits were made later than the next business day during our audit period of 2004 & 2005. The lack of a bank in our town and the skyrocketing gasoline prices are both contributing factors to this problem. I will try to comply with IC 5-13-6-1(d) better in the future.

It is correct that a Form 100R was not filed for 2004 & 2005. The State Board of Accounts used to provide this form to towns. When State Board of Accounts quit providing it, it just slipped my mind. The 100R for 2006 was filed July 2006. I have written on my December 2006 calendar to order so it will be filed in January 2007.

The 2004 year ending overdrawn cash balances in the Wastewater Utility Trash Fund and the Debt Service Fund have been corrected and are no longer overdrawn.

I am working to reconstruct the detailed customer deposit record. When I get it as close as can be possible due to lack of records of the former clerk treasurer, I will notify the State Board of Accounts that I am ready to reconcile and the Orestes Town Council will approve the necessary transfers.

Sincerely,



Erin A. Atwood  
Clerk Treasurer  
Town of Orestes