

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

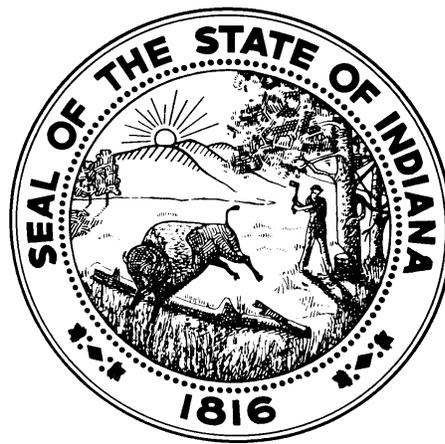
AUDIT REPORT

OF

TOWN OF STAUNTON

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
05/28/2008



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine Mienheartt	01-01-04 to 12-31-11
President of the Town Council	William A. Kirchner	01-01-06 to 12-31-08
Superintendent of Water Utility	Jacob Raubach	01-01-06 to 12-31-08
Superintendent of Wastewater Utility	Shirley Jolly	01-01-06 to 12-31-08



**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 STAUNTON, CLAY 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 Staunton (Town), as of and for the years ended December 31, 2006 and 2007, 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, 2006 and 2007, 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 April 17, 2008, 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.

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

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 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 Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 17, 2008



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF STAUNTON, CLAY COUNTY, INDIANA

We have audited the financial statements of the Town of Staunton (Town), as of and for the years ended December 31, 2006 and 2007, and have issued our report thereon dated April 17, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
(Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

STATE BOARD OF ACCOUNTS

April 17, 2008

TOWN OF STAUNTON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2006

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 45,020	\$ 6,986	\$ 3,461	\$ -	\$ (34,573)	\$ -	\$ (34,573)
Public safety	-	240	-	-	240	-	240
Highways and streets	49,953	-	26,312	-	(23,641)	-	(23,641)
Economic development	-	-	-	1,965	1,965	-	1,965
<b>Total governmental activities</b>	<b>94,973</b>	<b>7,226</b>	<b>29,773</b>	<b>1,965</b>	<b>(56,009)</b>	<b>-</b>	<b>(56,009)</b>
<b>Business-type activities:</b>							
Water	177,974	185,689	-	-	-	7,715	7,715
Wastewater	1,275,796	1,303,941	-	-	-	28,145	28,145
<b>Total business-type activities</b>	<b>1,453,770</b>	<b>1,489,630</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,860</b>	<b>35,860</b>
<b>Total primary government</b>	<b>\$ 1,548,743</b>	<b>\$ 1,496,856</b>	<b>\$ 29,773</b>	<b>\$ 1,965</b>	<b>(56,009)</b>	<b>35,860</b>	<b>(20,149)</b>
<b>General receipts:</b>							
Property taxes					15,556	-	15,556
Other local sources					14,475	-	14,475
Unrestricted investment earnings					-	200	200
<b>Total general receipts</b>					<b>30,031</b>	<b>200</b>	<b>30,231</b>
<b>Change in net assets</b>					<b>(25,978)</b>	<b>36,060</b>	<b>10,082</b>
<b>Net assets - beginning</b>					<b>108,621</b>	<b>255,368</b>	<b>363,989</b>
<b>Net assets - ending</b>					<b>\$ 82,643</b>	<b>\$ 291,428</b>	<b>\$ 374,071</b>
<b>Assets</b>							
Cash and investments					\$ 82,643	\$ 214,183	\$ 296,826
Restricted assets:							
Cash and investments					-	77,245	77,245
<b>Total assets</b>					<b>\$ 82,643</b>	<b>\$ 291,428</b>	<b>\$ 374,071</b>
<b>Net Assets</b>							
Restricted for:							
Debt service					\$ -	\$ 58,523	\$ 58,523
Other purposes					-	18,722	18,722
Unrestricted					82,643	214,183	296,826
<b>Total net assets</b>					<b>\$ 82,643</b>	<b>\$ 291,428</b>	<b>\$ 374,071</b>

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

TOWN OF STAUNTON  
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, 2006

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 15,556	\$ -	\$ -	\$ 15,556
Licenses and permits	-	-	240	240
Intergovernmental	14,475	22,898	8,840	46,213
Charges for services	6,986	-	-	6,986
	<u>37,017</u>	<u>22,898</u>	<u>9,080</u>	<u>68,995</u>
Total receipts				
Disbursements:				
General government	31,148	-	13,872	45,020
Highways and streets	-	36,195	13,757	49,952
	<u>31,148</u>	<u>36,195</u>	<u>27,629</u>	<u>94,972</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>5,869</u>	<u>(13,297)</u>	<u>(18,549)</u>	<u>(25,977)</u>
Cash and investment fund balance - beginning	<u>27,348</u>	<u>45,227</u>	<u>36,045</u>	<u>108,620</u>
Cash and investment fund balance - ending	<u>\$ 33,217</u>	<u>\$ 31,930</u>	<u>\$ 17,496</u>	<u>82,643</u>
Net assets of governmental activities				<u>\$ 82,643</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 33,217</u>	<u>\$ 31,930</u>	<u>\$ 17,496</u>	<u>\$ 82,643</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 33,217</u>	<u>\$ 31,930</u>	<u>\$ 17,496</u>	<u>\$ 82,643</u>

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

TOWN OF STAUNTON  
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, 2006

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 1,393	\$ 148,022	\$ 149,415
Metered water receipts:			
Residential	149,888	-	149,888
Other	<u>34,408</u>	<u>1,155,919</u>	<u>1,190,327</u>
Total operating receipts	<u>185,689</u>	<u>1,303,941</u>	<u>1,489,630</u>
Operating disbursements:			
Equipment and capital improvements	-	24,205	24,205
Customer accounts	1,987	-	1,987
Sales disbursements	4,995	-	4,995
Salaries and wages	20,685	44,953	65,638
Purchased power	10,136	8,989	19,125
Chemicals	1,737	567	2,304
Material and supplies	3,543	812	4,355
Contractual services	18,021	1,170,557	1,188,578
Rents	53,119	-	53,119
Insurance disbursements	4,362	4,362	8,724
Miscellaneous disbursements	<u>16,903</u>	<u>21,351</u>	<u>38,254</u>
Total operating disbursements	<u>135,488</u>	<u>1,275,796</u>	<u>1,411,284</u>
Excess of operating receipts over operating disbursements	<u>50,201</u>	<u>28,145</u>	<u>78,346</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	200	-	200
Debt service of principal	<u>(42,486)</u>	<u>-</u>	<u>(42,486)</u>
Total nonoperating receipts (disbursements)	<u>(42,286)</u>	<u>-</u>	<u>(42,286)</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	7,915	28,145	36,060
Cash and investment fund balance - beginning	<u>144,176</u>	<u>111,192</u>	<u>255,368</u>
Cash and investment fund balance - ending	<u>\$ 152,091</u>	<u>\$ 139,337</u>	<u>\$ 291,428</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 101,828	\$ 112,355	\$ 214,183
Restricted assets:			
Cash and investments	<u>50,263</u>	<u>26,982</u>	<u>77,245</u>
Total cash and investment assets - December 31	<u>\$ 152,091</u>	<u>\$ 139,337</u>	<u>\$ 291,428</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 31,541	\$ 26,982	\$ 58,523
Other purposes	18,722	-	18,722
Unrestricted	<u>101,828</u>	<u>112,355</u>	<u>214,183</u>
Total cash and investment fund balance - December 31	<u>\$ 152,091</u>	<u>\$ 139,337</u>	<u>\$ 291,428</u>

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

TOWN OF STAUNTON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2006

	Agency Funds
Additions:	
Agency fund additions	\$ 85,080
Deductions:	
Agency fund deductions	88,756
Deficiency of total additions over total deductions	(3,676)
Cash and investment fund balance - beginning	7,191
Cash and investment fund balance - ending	\$ 3,515

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

TOWN OF STAUNTON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 31,857	\$ 461	\$ 3,468	\$ -	\$ (27,928)	\$ -	\$ (27,928)
Public safety	-	698	-	-	698	-	698
Highways and streets	16,095	-	23,670	-	7,575	-	7,575
Economic development	700	-	-	1,932	1,232	-	1,232
Total governmental activities	48,652	1,159	27,138	1,932	(18,423)	-	(18,423)
Business-type activities:							
Water	686,289	511,247	-	-	-	(175,042)	(175,042)
Wastewater	1,166,759	1,156,812	-	-	-	(9,947)	(9,947)
Total business-type activities	1,853,048	1,668,059	-	-	-	(184,989)	(184,989)
Total primary government	\$ 1,901,700	\$ 1,669,218	\$ 27,138	\$ 1,932	(18,423)	(184,989)	(203,412)
General receipts:							
Property taxes					15,921	-	15,921
Other local sources					18,534	-	18,534
Bonds and loans					-	644,663	644,663
Unrestricted investment earnings					-	4,523	4,523
Total general receipts					34,455	649,186	683,641
Change in net assets					16,032	464,197	480,229
Net assets - beginning					82,643	291,428	374,071
Net assets - ending					\$ 98,675	\$ 755,625	\$ 854,300
<u>Assets</u>							
Cash and investments					\$ 98,675	\$ 174,202	\$ 272,877
Restricted assets:							
Cash and investments					-	581,423	581,423
Total assets					\$ 98,675	\$ 755,625	\$ 854,300
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 49,386	\$ 49,386
Other purposes					-	532,037	532,037
Unrestricted					98,675	174,202	272,877
Total net assets					\$ 98,675	\$ 755,625	\$ 854,300

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

TOWN OF STAUNTON  
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, 2007

	General	Motor Vehicle Highway	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 13,541	\$ 2,380	\$ -	\$ 15,921
Licenses and permits	-	-	698	698
Intergovernmental	16,609	20,202	8,867	45,678
Charges for services	461	-	-	461
Other	1,926	-	-	1,926
<b>Total receipts</b>	<b>32,537</b>	<b>22,582</b>	<b>9,565</b>	<b>64,684</b>
Disbursements:				
General government	31,857	-	-	31,857
Highways and streets	-	13,768	2,327	16,095
Capital outlay:				
Special assessments	-	-	700	700
<b>Total disbursements</b>	<b>31,857</b>	<b>13,768</b>	<b>3,027</b>	<b>48,652</b>
Excess of receipts over disbursements	680	8,814	6,538	16,032
Cash and investment fund balance - beginning	33,217	31,930	17,496	82,643
Cash and investment fund balance - ending	<u>\$ 33,897</u>	<u>\$ 40,744</u>	<u>\$ 24,034</u>	<u>98,675</u>
Net assets of governmental activities				<u>\$ 98,675</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 33,897</u>	<u>\$ 40,744</u>	<u>\$ 24,034</u>	<u>\$ 98,675</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 33,897</u>	<u>\$ 40,744</u>	<u>\$ 24,034</u>	<u>\$ 98,675</u>

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

TOWN OF STAUNTON  
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, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered water receipts	\$ 1,556	\$ 143,412	\$ 144,968
Metered water receipts:			
Residential	199,691	-	199,691
Other	<u>310,000</u>	<u>964,216</u>	<u>1,274,216</u>
Total operating receipts	<u>511,247</u>	<u>1,107,628</u>	<u>1,618,875</u>
Operating disbursements:			
Power production	318	-	318
Customer accounts	745	-	745
Salaries and wages	20,383	43,443	63,826
Purchased power	7,520	8,151	15,671
Chemicals	1,648	204	1,852
Material and supplies	7,591	1,752	9,343
Contractual services	289,602	1,058,204	1,347,806
Rents	7,820	-	7,820
Insurance disbursements	4,432	4,432	8,864
Miscellaneous disbursements	<u>311,413</u>	<u>1,388</u>	<u>312,801</u>
Total operating disbursements	<u>651,472</u>	<u>1,117,574</u>	<u>1,769,046</u>
Deficiency of operating receipts over operating disbursements	<u>(140,225)</u>	<u>(9,946)</u>	<u>(150,171)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	644,663	-	644,663
Interest and investment receipts	4,523	-	4,523
Debt service of principal	<u>(34,818)</u>	<u>-</u>	<u>(34,818)</u>
Total nonoperating receipts (disbursements)	<u>614,368</u>	<u>-</u>	<u>614,368</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	474,143	(9,946)	464,197
Cash and investment fund balance - beginning	<u>152,091</u>	<u>139,337</u>	<u>291,428</u>
Cash and investment fund balance - ending	<u>\$ 626,234</u>	<u>\$ 129,391</u>	<u>\$ 755,625</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 83,725	\$ 90,477	\$ 174,202
Restricted assets:			
Cash and investments	<u>542,509</u>	<u>38,914</u>	<u>581,423</u>
Total cash and investment assets - December 31	<u>\$ 626,234</u>	<u>\$ 129,391</u>	<u>\$ 755,625</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 522,976	\$ 38,914	\$ 561,890
Other purposes	19,533	-	19,533
Unrestricted	<u>83,725</u>	<u>90,477</u>	<u>174,202</u>
Total cash and investment fund balance - December 31	<u>\$ 626,234</u>	<u>\$ 129,391</u>	<u>\$ 755,625</u>

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

TOWN OF STAUNTON  
 STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 FIDUCIARY FUNDS  
 For The Year Ended December 31, 2007

	Agency Funds
Additions:	
Agency fund additions	\$ 80,970
Agency fund deductions	81,360
Deficiency of total additions over total deductions	(390)
Cash and investment fund balance - beginning	3,515
Cash and investment fund balance - ending	\$ 3,125

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

TOWN OF STAUNTON  
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, public improvements, planning and zoning, general administrative services, water and wastewater.

The Town's financial reporting entity is composed of the 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 Statements of Activities and Net Assets – Cash and Investment Basis display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 motor vehicle highway fund is used to account for state motor vehicle highway distributions. It is principally used for the construction and maintenance of streets and alleys.

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 STAUNTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll and excess levy.

C. Measurement Focus and Basis of Accounting

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

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

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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. 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 STAUNTON  
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

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

TOWN OF STAUNTON  
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 and Net Assets - Cash and Investment Basis.

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 of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. 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.

TOWN OF STAUNTON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

During 2001, the Town joined with other governmental entities in the Indiana Public Employers Plan, a public entity risk pool currently operating as a common risk management and insurance program for 865 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its workman's compensation coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event. The risk pool obtains independent coverage for insured events in excess of the \$1,000,000 limit.

B. Rate Structure – Enterprise Funds

Water Utility

On June 13, 1999, the Town Council withdrew from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on October 1, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on April 1, 2005.

TOWN OF STAUNTON  
 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, 2006

	Local Road and Street	Law Enforcement Continuing Education	Cumulative Capital Improvement	Riverboat	Totals
Receipts:					
Licenses and permits	\$ -	\$ 240	\$ -	\$ -	\$ 240
Intergovernmental	3,414	-	1,965	3,461	8,840
Total receipts	<u>3,414</u>	<u>240</u>	<u>1,965</u>	<u>3,461</u>	<u>9,080</u>
Disbursements:					
Public safety	-	-	-	13,872	13,872
Highways and streets	13,757	-	-	-	13,757
Total disbursements	<u>13,757</u>	<u>-</u>	<u>-</u>	<u>13,872</u>	<u>27,629</u>
Excess (deficiency) of receipts over disbursements	<u>(10,343)</u>	<u>240</u>	<u>1,965</u>	<u>(10,411)</u>	<u>(18,549)</u>
Cash and investment fund balance - beginning	<u>15,624</u>	<u>146</u>	<u>9,864</u>	<u>10,411</u>	<u>36,045</u>
Cash and investment fund balance - ending	<u>\$ 5,281</u>	<u>\$ 386</u>	<u>\$ 11,829</u>	<u>\$ -</u>	<u>\$ 17,496</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 5,281</u>	<u>\$ 386</u>	<u>\$ 11,829</u>	<u>\$ -</u>	<u>\$ 17,496</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted	<u>\$ 5,281</u>	<u>\$ 386</u>	<u>\$ 11,829</u>	<u>\$ -</u>	<u>\$ 17,496</u>

TOWN OF STAUNTON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	<u>Payroll</u>	<u>Levy Excess</u>	<u>Totals</u>
Additions:			
Agency fund additions	\$ 83,720	\$ 1,360	\$ 85,080
Deductions:			
Agency fund deductions	<u>86,401</u>	<u>2,355</u>	<u>88,756</u>
Deficiency of total additions over total deductions	(2,681)	(995)	(3,676)
Cash and investment fund balance - beginning	<u>4,836</u>	<u>2,355</u>	<u>7,191</u>
Cash and investment fund balance - ending	<u>\$ 2,155</u>	<u>\$ 1,360</u>	<u>\$ 3,515</u>

TOWN OF STAUNTON  
 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, 2007

	Local Road and Street	Law Enforcement Continuing Education	Cumulative Capital Improvement	Riverboat	Totals
Receipts:					
Licenses and permits	\$ -	\$ 698	\$ -	\$ -	\$ 698
Intergovernmental	3,467	-	1,932	3,468	8,867
Total receipts	<u>3,467</u>	<u>698</u>	<u>1,932</u>	<u>3,468</u>	<u>9,565</u>
Disbursements:					
Highways and streets	2,327	-	-	-	2,327
Capital outlay:					
Special assessments	-	-	700	-	700
Total disbursements	<u>2,327</u>	<u>-</u>	<u>700</u>	<u>-</u>	<u>3,027</u>
Excess of receipts over disbursements	<u>1,140</u>	<u>698</u>	<u>1,232</u>	<u>3,468</u>	<u>6,538</u>
Cash and investment fund balance - beginning	<u>5,281</u>	<u>386</u>	<u>11,829</u>	<u>-</u>	<u>17,496</u>
Cash and investment fund balance - ending	<u>\$ 6,421</u>	<u>\$ 1,084</u>	<u>\$ 13,061</u>	<u>\$ 3,468</u>	<u>\$ 24,034</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	<u>\$ 6,421</u>	<u>\$ 1,084</u>	<u>\$ 13,061</u>	<u>\$ 3,468</u>	<u>\$ 24,034</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Unrestricted	<u>\$ 6,421</u>	<u>\$ 1,084</u>	<u>\$ 13,061</u>	<u>\$ 3,468</u>	<u>\$ 24,034</u>

TOWN OF STAUNTON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2007

	<u>Payroll</u>	<u>Levy Excess</u>	<u>Totals</u>
Additions:			
Agency fund additions	<u>\$ 80,970</u>	<u>\$ -</u>	<u>\$ 80,970</u>
Deductions:			
Agency fund deductions	<u>81,360</u>	<u>-</u>	<u>81,360</u>
Excess (deficiency) of total additions over total deductions	(390)	-	(390)
Cash and investment fund balance - beginning	<u>2,155</u>	<u>1,360</u>	<u>3,515</u>
Cash and investment fund balance - ending	<u><u>\$ 1,765</u></u>	<u><u>\$ 1,360</u></u>	<u><u>\$ 3,125</u></u>

TOWN OF STAUNTON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 1,000
Buildings	87,968
Improvements other than buildings	<u>31,248</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 120,216</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 3,703
Buildings	250,000
Improvements other than buildings	566,629
Machinery and equipment	<u>295,111</u>
Total Water Utility capital assets	<u>1,115,443</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	8,716
Construction in progress	956,046
Buildings	278,750
Improvements other than buildings	3,860
Machinery and equipment	<u>51,969</u>
Total Wastewater Utility capital assets	<u>1,299,341</u>
Total business-type activities capital assets	<u>\$ 2,414,784</u>

TOWN OF STAUNTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2007

CAPITAL LEASES

The Town of Staunton has entered into the following capital leases:

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Water Improvements	\$ 16,272	\$ 2,531
Water Improvements	25,462	1,029
Water Improvements	<u>644,663</u>	<u>-</u>
Total Water Utility	<u>686,397</u>	<u>3,560</u>
Wastewater Utility		
Revenue bonds:		
Wastewater Improvements	<u>912,000</u>	<u>39,185</u>
Total business-type activities long-term debt	<u>\$ 1,598,397</u>	<u>\$ 42,745</u>

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF STAUNTON, CLAY COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Staunton (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, 2006 and 2007. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

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

April 17, 2008

TOWN OF STAUNTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities Wastewater Infrastructure Improvements Project	10.760		\$ 738,773	\$ 1,025,382
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Department of Commerce				
Community Development Block Grants/Small Cities Program	14.219	CF-02-138 PL-04-007	404,669 14,520	12,465 -
Total for federal grantor agency			419,189	12,465
Total federal awards expended			<u>\$ 1,157,962</u>	<u>\$ 1,037,847</u>

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

TOWN OF STAUNTON  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Staunton (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 STAUNTON  
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 STAUNTON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF STAUNTON  
EXIT CONFERENCE

The contents of this report were discussed on April 17, 2008, with Catherine Mienheartt, Clerk-Treasurer; and William A. Kirchner, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.