

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

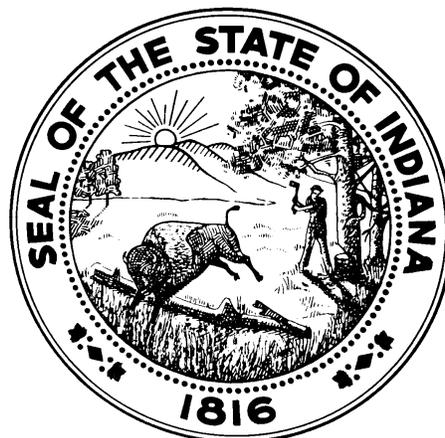
AUDIT REPORT

OF

TOWN OF WINDFALL

TIPTON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
08/08/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janis Dever Amber Cooper Ann Riffe	01-01-04 to 08-31-07 09-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Joanne Blunck Lonnie Kinder	01-01-06 to 04-30-07 05-01-07 to 12-31-08
Superintendent of Utilities	Terry Cooper	01-01-06 to 12-31-08



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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 WINDFALL, TIPTON 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 Windfall (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 July 14, 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.

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.

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

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

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

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

STATE BOARD OF ACCOUNTS

July 14, 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 WINDFALL, TIPTON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Windfall (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 14, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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.

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.

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

Compliance and Other Matters

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

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

July 14, 2008

TOWN OF WINDFALL
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	Primary Government		Totals
				Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 118,554	\$ 1,772	\$ -	\$ (116,782)	\$ -	\$ (116,782)
Public safety	54,805	465	-	(54,340)	-	(54,340)
Highways and streets	41,881	-	6,685	(35,196)	-	(35,196)
Sanitation	39,124	43,015	-	3,891	-	3,891
Culture and recreation	2,600	-	-	(2,600)	-	(2,600)
Interest on long-term debt	19,727	-	-	(19,727)	-	(19,727)
Total governmental activities	276,691	45,252	6,685	(224,754)	-	(224,754)
Business-type activities:						
Water	132,363	130,849	-	-	(1,514)	(1,514)
Wastewater	151,087	123,823	-	-	(27,264)	(27,264)
Total business-type activities	283,450	254,672	-	-	(28,778)	(28,778)
Total primary government	\$ 560,141	\$ 299,924	\$ 6,685	(224,754)	(28,778)	(253,532)
General receipts:						
Property taxes				129,458	-	129,458
Income taxes				57,066	-	57,066
License excise taxes				25,893	-	25,893
Financial institution taxes				1,151	-	1,151
Commercial vehicle excise taxes				646	-	646
Motor fuel taxes				24,739	-	24,739
Alcoholic beverage taxes				2,123	-	2,123
Other taxes				15,260	-	15,260
Unrestricted investment earnings				989	3,494	4,483
Other local sources				173	53,554	53,727
Total general receipts				257,498	57,048	314,546
Change in net assets				32,744	28,270	61,014
Net assets - beginning				273,193	439,118	712,311
Net assets - ending				\$ 305,937	\$ 467,388	\$ 773,325
Assets						
Cash and investments				\$ 185,243	\$ 258,041	\$ 443,284
Restricted assets:						
Cash and investments				120,694	209,347	330,041
Total assets				\$ 305,937	\$ 467,388	\$ 773,325
Net Assets						
Restricted for:						
Highways, streets, and roads				\$ 70,500	\$ -	\$ 70,500
Debt service				9,693	16,147	25,840
Culture and recreation				3,235	-	3,235
Capital projects				8,968	168,963	177,931
Other purposes				28,298	24,237	52,535
Unrestricted				185,243	258,041	443,284
Total net assets				\$ 305,937	\$ 467,388	\$ 773,325

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

TOWN OF WINDFALL
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	County Economic Development Income Tax	Trash	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 135,241	\$ 11,876	\$ 16,464	\$ -	\$ 22,943	\$ 186,524
Licenses and permits	45	-	-	-	390	435
Intergovernmental	24,643	28,669	-	-	23,185	76,497
Charges for services	-	-	-	43,015	1,727	44,742
Fines and forfeits	75	-	-	-	-	75
Other	1,037	25	-	-	100	1,162
Total receipts	161,041	40,570	16,464	43,015	48,345	309,435
Disbursements:						
General government	112,758	-	-	-	1,338	114,096
Public safety	54,805	-	-	-	-	54,805
Highways and streets	-	39,488	-	-	2,393	41,881
Sanitation	-	-	-	39,124	-	39,124
Culture and recreation	2,600	-	-	-	-	2,600
Debt service:						
Principal	-	-	-	-	4,458	4,458
Interest	-	-	-	-	19,727	19,727
Total disbursements	170,163	39,488	-	39,124	27,916	276,691
Excess (deficiency) of receipts over disbursements	(9,122)	1,082	16,464	3,891	20,429	32,744
Other financing sources (uses):						
Transfers in	25,000	-	-	-	-	25,000
Transfers out	-	-	-	-	(25,000)	(25,000)
Total other financing sources (uses)	25,000	-	-	-	(25,000)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	15,878	1,082	16,464	3,891	(4,571)	32,744
Cash and investment fund balance - beginning	51,557	36,250	87,251	(9,970)	108,105	273,193
Cash and investment fund balance - ending	<u>\$ 67,435</u>	<u>\$ 37,332</u>	<u>\$ 103,715</u>	<u>\$ (6,079)</u>	<u>\$ 103,534</u>	<u>\$ 305,937</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 67,435	\$ -	\$ 103,715	\$ -	\$ 18,551	\$ 189,701
Restricted assets:						
Cash and investments	-	37,332	-	(6,079)	84,983	116,236
Total cash and investment assets - December 31	<u>\$ 67,435</u>	<u>\$ 37,332</u>	<u>\$ 103,715</u>	<u>\$ (6,079)</u>	<u>\$ 103,534</u>	<u>\$ 305,937</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways, streets, and roads	\$ -	\$ 37,332	\$ -	\$ -	\$ 33,168	\$ 70,500
Debt service	-	-	-	-	5,235	5,235
Culture and recreation	-	-	-	-	3,235	3,235
Capital projects	-	-	-	-	8,968	8,968
Other purposes	-	-	-	(6,079)	34,377	28,298
Unrestricted	67,435	-	103,715	-	18,551	189,701
Total cash and investment fund balance - December 31	<u>\$ 67,435</u>	<u>\$ 37,332</u>	<u>\$ 103,715</u>	<u>\$ (6,079)</u>	<u>\$ 103,534</u>	<u>\$ 305,937</u>

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

TOWN OF WINDFALL
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:			
Metered water receipts	\$ 129,385	\$ -	\$ 129,385
Fire protection receipts	10,199	-	10,199
Penalties	1,464	3,970	5,434
Other water receipts	1,630	-	1,630
Flat rate receipts	-	119,853	119,853
Insurance proceeds	41,475	-	41,475
Other	-	250	250
	<u>184,153</u>	<u>124,073</u>	<u>308,226</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	24,641	-	24,641
Water - operations and maintenance	14,772	-	14,772
Treatment and disposal disbursements - operations and maintenance	-	19,216	19,216
Administration and general	2,826	3,807	6,633
Salaries and wages	50,516	55,473	105,989
Chemicals	2,276	349	2,625
Taxes	14,371	-	14,371
Contractual services	13,348	4,070	17,418
Insurance disbursements	9,233	17,282	26,515
Regulatory commission disbursements	380	2,400	2,780
	<u>132,363</u>	<u>102,597</u>	<u>234,960</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>51,790</u>	<u>21,476</u>	<u>73,266</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	1,795	1,699	3,494
Debt service of principal	-	(27,000)	(27,000)
Interest on long-term debt	-	(21,490)	(21,490)
	<u>1,795</u>	<u>(46,791)</u>	<u>(44,996)</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	53,585	(25,315)	28,270
Cash and investment fund balance - beginning	<u>261,762</u>	<u>177,356</u>	<u>439,118</u>
Cash and investment fund balance - ending	<u>\$ 315,347</u>	<u>\$ 152,041</u>	<u>\$ 467,388</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 120,739	\$ 137,302	\$ 258,041
Restricted assets:			
Cash and investments	<u>194,608</u>	<u>14,739</u>	<u>209,347</u>
Total cash and investment assets - December 31	<u>\$ 315,347</u>	<u>\$ 152,041</u>	<u>\$ 467,388</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 1,408	\$ 14,739	\$ 16,147
Capital projects	168,963	-	168,963
Other purposes	24,237	-	24,237
Unrestricted	<u>120,739</u>	<u>137,302</u>	<u>258,041</u>
Total cash and investment fund balance - December 31	<u>\$ 315,347</u>	<u>\$ 152,041</u>	<u>\$ 467,388</u>

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

TOWN OF WINDFALL
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	\$ 180,552
Deductions:	
Agency fund deductions	162,359
Excess of total additions over total deductions	18,193
Cash and investment fund balance - beginning	(148,934)
Cash and investment fund balance - ending	\$ (130,741)

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

TOWN OF WINDFALL
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	Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 130,405	\$ 1,700	\$ -	\$ -	\$ (128,705)	\$ -	\$ (128,705)
Public safety	58,158	365	-	-	(57,793)	-	(57,793)
Highways and streets	39,343	-	600	-	(38,743)	-	(38,743)
Sanitation	47,891	32,229	-	-	(15,662)	-	(15,662)
Culture and recreation	26	-	-	-	(26)	-	(26)
Interest on long-term debt	19,207	-	-	-	(19,207)	-	(19,207)
Total governmental activities	295,030	34,294	600	-	(260,136)	-	(260,136)
Business-type activities:							
Water	930,281	143,298	-	545,300	-	(241,683)	(241,683)
Wastewater	274,606	113,166	-	-	-	(161,440)	(161,440)
Total business-type activities	1,204,887	256,464	-	545,300	-	(403,123)	(403,123)
Total primary government	\$ 1,499,917	\$ 290,758	\$ 600	\$ 545,300	(260,136)	(403,123)	(663,259)
General receipts:							
Property taxes					155,679	-	155,679
Income taxes					58,564	-	58,564
License excise taxes					23,501	-	23,501
Financial institution taxes					907	-	907
Commercial vehicle excise taxes					680	-	680
Motor fuel taxes					28,988	-	28,988
Alcoholic beverage taxes					1,364	-	1,364
Other taxes					18,256	-	18,256
Unrestricted investment earnings					897	4,723	5,620
Other local sources					457	91,549	92,006
Total general receipts, special items, and transfers					289,293	96,272	385,565
Change in net assets					29,157	(306,851)	(277,694)
Net assets - beginning					305,937	467,388	773,325
Net assets - ending					\$ 335,094	\$ 160,537	\$ 495,631
Assets							
Cash and investments					\$ 210,841	\$ 116,955	\$ 327,796
Restricted assets:							
Cash and investments					124,253	43,582	167,835
Total assets					\$ 335,094	\$ 160,537	\$ 495,631
Net Assets							
Restricted for:							
Highways, streets, and roads					\$ 88,532	\$ -	\$ 88,532
Debt service					6,145	16,147	22,292
Culture and recreation					3,385	-	3,385
Capital projects					11,469	-	11,469
Other purposes					14,722	27,435	42,157
Unrestricted					210,841	116,955	327,796
Total net assets					\$ 335,094	\$ 160,537	\$ 495,631

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

TOWN OF WINDFALL
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	County Economic Development Income Tax	Trash	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 154,403	\$ 17,923	\$ 16,816	\$ -	\$ 25,101	\$ 214,243
Licenses and permits	75	-	-	-	340	415
Intergovernmental	21,798	31,384	-	-	21,114	74,296
Charges for services	-	-	-	32,229	1,625	33,854
Fines and forfeits	-	-	-	-	25	25
Other	1,204	-	-	-	150	1,354
Total receipts	177,480	49,307	16,816	32,229	48,355	324,187
Disbursements:						
General government	119,819	-	-	-	1,293	121,112
Public safety	58,158	-	-	-	-	58,158
Highways and streets	-	38,321	-	-	1,022	39,343
Sanitation	-	-	-	47,891	-	47,891
Culture and recreation	26	-	-	-	-	26
Debt service:						
Principal	-	-	-	-	9,293	9,293
Interest	-	-	-	-	19,207	19,207
Total disbursements	178,003	38,321	-	47,891	30,815	295,030
Excess (deficiency) of receipts over disbursements	(523)	10,986	16,816	(15,662)	17,540	29,157
Other financing sources (uses):						
Transfers in	-	12,077	-	-	-	12,077
Transfers out	-	-	-	-	(12,077)	(12,077)
Total other financing sources (uses)	-	12,077	-	-	(12,077)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(523)	23,063	16,816	(15,662)	5,463	29,157
Cash and investment fund balance - beginning	67,435	37,332	103,715	(6,079)	103,534	305,937
Cash and investment fund balance - ending	<u>\$ 66,912</u>	<u>\$ 60,395</u>	<u>\$ 120,531</u>	<u>\$ (21,741)</u>	<u>\$ 108,997</u>	<u>\$ 335,094</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ 66,912	\$ -	\$ 120,531	\$ -	\$ 23,398	\$ 210,841
Restricted assets:						
Cash and investments	-	60,395	-	(21,741)	85,599	124,253
Total cash and investment assets - December 31	<u>\$ 66,912</u>	<u>\$ 60,395</u>	<u>\$ 120,531</u>	<u>\$ (21,741)</u>	<u>\$ 108,997</u>	<u>\$ 335,094</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Highways, streets, and roads	\$ -	\$ 60,395	\$ -	\$ -	\$ 28,137	\$ 88,532
Debt service	-	-	-	-	6,145	6,145
Culture and recreation	-	-	-	-	3,385	3,385
Capital projects	-	-	-	-	11,469	11,469
Other purposes	-	-	-	(21,741)	36,463	14,722
Unrestricted	66,912	-	120,531	-	23,398	210,841
Total cash and investment fund balance - December 31	<u>\$ 66,912</u>	<u>\$ 60,395</u>	<u>\$ 120,531</u>	<u>\$ (21,741)</u>	<u>\$ 108,997</u>	<u>\$ 335,094</u>

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

TOWN OF WINDFALL
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:			
Metered water receipts:	\$ 141,905	\$ -	\$ 141,905
Fire protection receipts	10,199	-	10,199
Penalties	1,393	3,082	4,475
Other water revenue	3,402	-	3,402
Flat rate receipts	-	110,084	110,084
Insurance proceeds	70,975	-	70,975
Other	226	525	751
	<u>228,100</u>	<u>113,691</u>	<u>341,791</u>
Total operating receipts			
Operating disbursements:			
Water - operations and maintenance	19,942	-	19,942
Treatment and disposal disbursements - operations and maintenance	-	32,515	32,515
Administration and general	13,615	3,664	17,279
Salaries and wages	115,905	112,229	228,134
Chemicals	2,510	-	2,510
Taxes	8,099	-	8,099
Contractual services	659,366	1,521	660,887
Insurance disbursements	6,190	27,953	34,143
Regulatory commission disbursements	1,380	60	1,440
	<u>827,007</u>	<u>177,942</u>	<u>1,004,949</u>
Total operating disbursements			
Deficiency of operating receipts over operating disbursements	<u>(598,907)</u>	<u>(64,251)</u>	<u>(663,158)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	2,061	2,662	4,723
Miscellaneous receipts	6,222	-	6,222
Debt service of principal	-	(27,000)	(27,000)
Interest on debt service	(103,274)	(69,664)	(172,938)
	<u>(94,991)</u>	<u>(94,002)</u>	<u>(188,993)</u>
Total nonoperating receipts (disbursements)			
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	(693,898)	(158,253)	(852,151)
Capital contributions	<u>545,300</u>	<u>-</u>	<u>545,300</u>
Deficiency of receipts, contributions and transfers in over disbursements and transfers out	(148,598)	(158,253)	(306,851)
Cash and investment fund balance - beginning	<u>315,347</u>	<u>152,041</u>	<u>467,388</u>
Cash and investment fund balance - ending	<u>\$ 166,749</u>	<u>\$ (6,212)</u>	<u>\$ 160,537</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 137,906	\$ (20,951)	\$ 116,955
Restricted assets:			
Cash and investments	<u>28,843</u>	<u>14,739</u>	<u>43,582</u>
Total cash and investment assets - December 31	<u>\$ 166,749</u>	<u>\$ (6,212)</u>	<u>\$ 160,537</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 1,408	\$ 14,739	\$ 16,147
Other purposes	27,435	-	27,435
Unrestricted	<u>137,906</u>	<u>(20,951)</u>	<u>116,955</u>
Total cash and investment fund balance - December 31	<u>\$ 166,749</u>	<u>\$ (6,212)</u>	<u>\$ 160,537</u>

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

TOWN OF WINDFALL
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	\$ 300,888
Deductions:	
Agency fund deductions	182,456
Excess of total additions over total deductions	118,432
Cash and investment fund balance - beginning	(130,741)
Cash and investment fund balance - ending	\$ (12,309)

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

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: Town of Windfall

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 the collection of property and motor fuel taxes used to repair and maintain town streets.

The county economic development income tax fund is used to account for local income taxes collected by Tipton County government.

The trash fund is used to account for the collection of user fees charged for trash service provided to town residents.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for payroll withholding authorities.

C. Measurement Focus and Basis of Accounting

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes. 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. The Town does not have any internal service funds.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

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

F. Internal and Interfund 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

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

A. Budgetary Information

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

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

B. Cash and Investment Balance Deficits

At December 31, 2006 and 2007, the following funds reported deficits in cash and investments, which are violations of the Uniform Compliance Guidelines and state statute:

Fund	2006	2007
Payroll	\$ 145,725	\$ 15,153
Sale of Doggett House	1,010	1,010
Trash	6,079	21,741
Wastewater Operating	-	20,951

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

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. 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.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

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

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Town does not have a policy in regards to concentration of credit risk. United States of America government and United States of America governmental agency securities are exempt from this policy requirement.

Foreign Currency Risk

The Town does not have a formal policy in regards to foreign currency risk.

TOWN OF WINDFALL
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
Other governmental funds	General Fund	\$ 25,000	\$ -
Other governmental funds	Motor Vehicle Highway Fund	-	12,077
Totals		<u>\$ 25,000</u>	<u>\$ 12,077</u>

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions.

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; medical benefits to employees (excluding postemployment benefits); 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; medical benefits to employees (excluding postemployment benefits); 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 2002, the Town joined with other governmental entities in the Indiana Public Employer's Plan, a public entity risk pool currently operating as a common risk management and insurance program for approximately 515 member governmental entities. This risk pool was formed in 1992. The purpose of the risk pool is to provide a medium for the funding and administration of insurance costs related to job-related illnesses and injuries. The Town pays an annual premium to the risk pool for its job-related illnesses and injuries 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 May 8, 1996, the Town Council adopted Ordinance No. 96-05-08 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on September 25, 2007.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council on June 15, 2000.

C. Pension Plan

Agent Multiple-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. The report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF WINDFALL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 6,052
Interest on net pension obligation	199
Adjustment to annual required contribution	(227)
Annual pension cost	6,024
Contributions made	7,244
Increase (decrease) in net pension obligation	(1,220)
Net pension obligation, beginning of year	2,747
Net pension obligation, end of year	\$ 1,527
Contribution rates:	
Town	9.5%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 6,124	98%	\$ 1,148
	06-30-06	7,891	80%	2,747
	06-30-07	6,024	120%	1,527

TOWN OF WINDFALL
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 67,069	\$ 131,303	\$ (64,234)	51%	\$ 70,945	(91%)
07-01-06	89,722	130,358	(40,636)	69%	65,702	(62%)
07-01-07	105,592	163,012	(57,420)	65%	75,642	(76%)

TOWN OF WINDFALL
 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	Community Center Rent and Expense	Sale of Doggett House	Community Center Donation	Community Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	390	-	-	-	-
Intergovernmental	3,559	-	-	-	-	-
Charges for services	-	15	1,712	-	-	-
Other	100	-	-	-	-	-
Total receipts	3,659	405	1,712	-	-	-
Disbursements:						
General government	-	-	1,338	-	-	-
Highways and streets	2,393	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	2,393	-	1,338	-	-	-
Excess of receipts over disbursements	<u>1,266</u>	<u>405</u>	<u>374</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing uses:						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,266	405	374	-	-	-
Cash and investment fund balance - beginning	<u>24,392</u>	<u>788</u>	<u>1,148</u>	<u>(1,010)</u>	<u>29,069</u>	<u>47</u>
Cash and investment fund balance - ending	<u>\$ 25,658</u>	<u>\$ 1,193</u>	<u>\$ 1,522</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 1,522	\$ (1,010)	\$ -	\$ 47
Restricted assets:						
Cash and investments	<u>25,658</u>	<u>1,193</u>	<u>-</u>	<u>-</u>	<u>29,069</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 25,658</u>	<u>\$ 1,193</u>	<u>\$ 1,522</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Highways, streets, and roads	\$ 25,658	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	1,193	-	-	29,069	-
Unrestricted	<u>-</u>	<u>-</u>	<u>1,522</u>	<u>(1,010)</u>	<u>-</u>	<u>47</u>
Total cash and investment fund balance - December 31	<u>\$ 25,658</u>	<u>\$ 1,193</u>	<u>\$ 1,522</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>

TOWN OF WINDFALL
 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
 (Continued)

	Park Donation	Wheel Tax	Rainy Day	Riverboat	Xmas
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	7,510	-	4,480	-
Charges for services	-	-	-	-	-
Other	-	-	-	-	-
	<u>-</u>	<u>7,510</u>	<u>-</u>	<u>4,480</u>	<u>-</u>
Total receipts	<u>-</u>	<u>7,510</u>	<u>-</u>	<u>4,480</u>	<u>-</u>
Disbursements:					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of receipts over disbursements	<u>-</u>	<u>7,510</u>	<u>-</u>	<u>4,480</u>	<u>-</u>
Other financing uses:					
Transfers out	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	7,510	-	4,480	-
Cash and investment fund balance - beginning	<u>3,235</u>	<u>-</u>	<u>3,396</u>	<u>13,482</u>	<u>30</u>
Cash and investment fund balance - ending	<u>\$ 3,235</u>	<u>\$ 7,510</u>	<u>\$ 3,396</u>	<u>\$ 17,962</u>	<u>\$ 30</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ 17,962	\$ 30
Restricted assets:					
Cash and investments	<u>3,235</u>	<u>7,510</u>	<u>3,396</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 3,235</u>	<u>\$ 7,510</u>	<u>\$ 3,396</u>	<u>\$ 17,962</u>	<u>\$ 30</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Highways, streets, and roads	\$ -	\$ 7,510	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Culture and recreation	3,235	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	-	-	3,396	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,962</u>	<u>30</u>
Total cash and investment fund balance - December 31	<u>\$ 3,235</u>	<u>\$ 7,510</u>	<u>\$ 3,396</u>	<u>\$ 17,962</u>	<u>\$ 30</u>

TOWN OF WINDFALL
 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
 (Continued)

	Ordinance Violations	Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:					
Taxes	\$ -	\$ 22,943	\$ -	\$ -	\$ 22,943
Licenses and permits	-	-	-	-	390
Intergovernmental	-	5,093	2,543	-	23,185
Charges for services	-	-	-	-	1,727
Other	-	-	-	-	100
Total receipts	<u>-</u>	<u>28,036</u>	<u>2,543</u>	<u>-</u>	<u>48,345</u>
Disbursements:					
General government	-	-	-	-	1,338
Highways and streets	-	-	-	-	2,393
Debt service:					
Principal	-	4,458	-	-	4,458
Interest	-	19,727	-	-	19,727
Total disbursements	<u>-</u>	<u>24,185</u>	<u>-</u>	<u>-</u>	<u>27,916</u>
Excess of receipts over disbursements	<u>-</u>	<u>3,851</u>	<u>2,543</u>	<u>-</u>	<u>20,429</u>
Other financing uses:					
Transfers out	-	-	(25,000)	-	(25,000)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	3,851	(22,457)	-	(4,571)
Cash and investment fund balance - beginning	719	1,384	26,771	4,654	108,105
Cash and investment fund balance - ending	<u>\$ 719</u>	<u>\$ 5,235</u>	<u>\$ 4,314</u>	<u>\$ 4,654</u>	<u>\$ 103,534</u>
Cash and Investment Assets - December 31					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 18,551
Restricted assets:					
Cash and investments	719	5,235	4,314	4,654	84,983
Total cash and investment assets - December 31	<u>\$ 719</u>	<u>\$ 5,235</u>	<u>\$ 4,314</u>	<u>\$ 4,654</u>	<u>\$ 103,534</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Highways, streets, and roads	\$ -	\$ -	\$ -	\$ -	\$ 33,168
Debt service	-	5,235	-	-	5,235
Culture and recreation	-	-	-	-	3,235
Capital projects	-	-	4,314	4,654	8,968
Other purposes	719	-	-	-	34,377
Unrestricted	-	-	-	-	18,551
Total cash and investment fund balance - December 31	<u>\$ 719</u>	<u>\$ 5,235</u>	<u>\$ 4,314</u>	<u>\$ 4,654</u>	<u>\$ 103,534</u>

TOWN OF WINDFALL
 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>Larry Elston Insurance</u>	<u>Levy Excess</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 176,582	\$ 2,275	\$ 1,695	\$ 180,552
Deductions:				
Agency fund deductions	<u>162,359</u>	<u>-</u>	<u>-</u>	<u>162,359</u>
Excess of total additions over total deductions	14,223	2,275	1,695	18,193
Cash and investment fund balance - beginning	<u>(159,948)</u>	<u>569</u>	<u>10,445</u>	<u>(148,934)</u>
Cash and investment fund balance - ending	<u>\$ (145,725)</u>	<u>\$ 2,844</u>	<u>\$ 12,140</u>	<u>\$ (130,741)</u>

TOWN OF WINDFALL
 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	Community Center Rent and Expense	Sale of Doggett House	Community Center Donation	Community Service
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	340	-	-	-	-
Intergovernmental	3,501	-	-	-	-	-
Charges for services	-	-	1,625	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	<u>3,501</u>	<u>340</u>	<u>1,625</u>	<u>-</u>	<u>-</u>	<u>-</u>
Disbursements:						
General government	-	-	1,293	-	-	-
Highways and streets	1,022	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total disbursements	<u>1,022</u>	<u>-</u>	<u>1,293</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,479</u>	<u>340</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>2,479</u>	<u>340</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>25,658</u>	<u>1,193</u>	<u>1,522</u>	<u>(1,010)</u>	<u>29,069</u>	<u>47</u>
Cash and investment fund balance - ending	<u>\$ 28,137</u>	<u>\$ 1,533</u>	<u>\$ 1,854</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 1,854	\$ (1,010)	\$ -	\$ 47
Restricted assets:						
Cash and investments	<u>28,137</u>	<u>1,533</u>	<u>-</u>	<u>-</u>	<u>29,069</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 28,137</u>	<u>\$ 1,533</u>	<u>\$ 1,854</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Highways, streets, and roads	\$ 28,137	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Other purposes	-	1,533	-	-	29,069	-
Unrestricted	-	-	1,854	(1,010)	-	47
Total cash and investment fund balance - December 31	<u>\$ 28,137</u>	<u>\$ 1,533</u>	<u>\$ 1,854</u>	<u>\$ (1,010)</u>	<u>\$ 29,069</u>	<u>\$ 47</u>

TOWN OF WINDFALL
 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
 (Continued)

	Park Donation	Wheel Tax	Rainy Day	Riverboat	Xmas
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	4,567	1,746	4,490	-
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	25
Other	150	-	-	-	-
	<u>150</u>	<u>4,567</u>	<u>1,746</u>	<u>4,490</u>	<u>25</u>
Total receipts					
	<u>150</u>	<u>4,567</u>	<u>1,746</u>	<u>4,490</u>	<u>25</u>
Disbursements:					
General government	-	-	-	-	-
Highways and streets	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements					
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>150</u>	<u>4,567</u>	<u>1,746</u>	<u>4,490</u>	<u>25</u>
Other financing sources (uses):					
Transfers out	-	(12,077)	-	-	-
	<u>-</u>	<u>(12,077)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	150	(7,510)	1,746	4,490	25
Cash and investment fund balance - beginning	<u>3,235</u>	<u>7,510</u>	<u>3,396</u>	<u>17,962</u>	<u>30</u>
Cash and investment fund balance - ending	<u>\$ 3,385</u>	<u>\$ -</u>	<u>\$ 5,142</u>	<u>\$ 22,452</u>	<u>\$ 55</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ 22,452	\$ 55
Restricted assets:					
Cash and investments	<u>3,385</u>	<u>-</u>	<u>5,142</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 3,385</u>	<u>\$ -</u>	<u>\$ 5,142</u>	<u>\$ 22,452</u>	<u>\$ 55</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Highways, streets, and roads	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-
Culture and recreation	3,385	-	-	-	-
Capital projects	-	-	-	-	-
Other purposes	-	-	5,142	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,452</u>	<u>55</u>
Total cash and investment fund balance - December 31	<u>\$ 3,385</u>	<u>\$ -</u>	<u>\$ 5,142</u>	<u>\$ 22,452</u>	<u>\$ 55</u>

TOWN OF WINDFALL
 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
 (Continued)

	Ordinance Violations	Debt Service	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:					
Taxes	\$ -	\$ 25,101	\$ -	\$ -	\$ 25,101
Licenses and permits	-	-	-	-	340
Intergovernmental	-	4,309	2,501	-	21,114
Charges for services	-	-	-	-	1,625
Fines and forfeits	-	-	-	-	25
Other	-	-	-	-	150
Total receipts	-	29,410	2,501	-	48,355
Disbursements:					
General government	-	-	-	-	1,293
Highways and streets	-	-	-	-	1,022
Debt service:					
Principal	-	9,293	-	-	9,293
Interest	-	19,207	-	-	19,207
Total disbursements	-	28,500	-	-	30,815
Excess (deficiency) of receipts over disbursements	-	910	2,501	-	17,540
Other financing sources (uses):					
Transfers out	-	-	-	-	(12,077)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	910	2,501	-	5,463
Cash and investment fund balance - beginning	719	5,235	4,314	4,654	103,534
Cash and investment fund balance - ending	<u>719</u>	<u>6,145</u>	<u>6,815</u>	<u>4,654</u>	<u>108,997</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 23,398
Restricted assets:					
Cash and investments	719	6,145	6,815	4,654	85,599
Total cash and investment assets - December 31	<u>719</u>	<u>6,145</u>	<u>6,815</u>	<u>4,654</u>	<u>108,997</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Highways, streets, and roads	\$ -	\$ -	\$ -	\$ -	\$ 28,137
Debt service	-	6,145	-	-	6,145
Culture and recreation	-	-	-	-	3,385
Capital projects	-	-	6,815	4,654	11,469
Other purposes	719	-	-	-	36,463
Unrestricted	-	-	-	-	23,398
Total cash and investment fund balance - December 31	<u>719</u>	<u>6,145</u>	<u>6,815</u>	<u>4,654</u>	<u>108,997</u>

TOWN OF WINDFALL
 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>Larry Elston Insurance</u>	<u>Levy Excess</u>	<u>Totals</u>
Additions:				
Agency fund additions	\$ 300,888	\$ -	\$ -	\$ 300,888
Deductions:				
Agency fund deductions	<u>170,316</u>	<u>-</u>	<u>12,140</u>	<u>182,456</u>
Excess of total additions over total deductions	130,572	-	(12,140)	118,432
Cash and investment fund balance - beginning	<u>(145,725)</u>	<u>2,844</u>	<u>12,140</u>	<u>(130,741)</u>
Cash and investment fund balance - ending	<u><u>\$ (15,153)</u></u>	<u><u>\$ 2,844</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (12,309)</u></u>

TOWN OF WINDFALL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Community Center	\$ 316,846	\$ 14,000
Business-type Activities:		
Water Utility		
Loans Payable - USDA Loan	\$ 3,381,000	\$ 179,002
Wastewater Utility		
IDEM - State Revolving Loan	257,000	16,453
Revenue bonds:		
Wastewater system improvements	239,462	29,974
Total Wastewater Utility	496,462	46,427
 Total business-type activities debt:	 \$ 3,877,462	 \$ 225,429

TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS

OVERPAYMENT OF COLLECTIONS - WATER UTILITY

The Town deposits all utility collections to the Water Utility Operating Fund bank account. Collections for both the Wastewater Utility Operating Fund and the Trash Fund are then transferred to the respective funds. Collections made from January 2006 through April 2006 were transferred twice to the Wastewater Operating Fund and the Trash Fund. The total amount of the overpayment was \$43,978.07 to the Wastewater Operating Fund and \$11,264.70 to the Trash Fund.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

ANNUAL REPORT

An annual report for 2007 was not presented for audit.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder: Ann Riffe, Clerk-Treasurer.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . ."

PUBLIC RECORDS RETENTION

There were several month's claims and claim dockets that were not available for audit.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain detailed records of capital assets. Information presented for audit did not indicate an inventory of capital assets using Form 211.

TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS
(Continued)

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)

CUSTOMER DEPOSIT REGISTER

Reconcilements were not made between the Water Utility Consumer Deposit record and the Water Meter Fund cash balance.

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)

TEMPORARY EMPLOYEES

During 2007, the Town paid two part-time temporary employees, Cory Buster in the amount of \$7,360.00 and Joseph Ploughe in the amount of \$2,229.25. The 2007 salary ordinance did not establish the total compensation or pay rate for these employees. In addition, compensation for one of the board members for 2007 was not included in the total wages reported on the Employer's Federal Quarterly Tax Returns.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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 2006 and 2007.

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."

TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The Payroll Fund, Trash Fund, Sale of Doggett House Fund, and Wastewater Operating Fund were overdrawn in 2006 and 2007.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL CHARGES

In 2006 and 2007, the Town paid a flat rate of \$10,199.00 to the Water Utility for hydrant rental. The Water Utility Rate Ordinance in effect during the audit period indicated that a \$10.40 monthly charge for each hydrant was to be used as a basis for the rental payments to the Water Utility. Inquiry of the Utility Superintendent indicated that there were 52 hydrants in the Town during the audit period. Accordingly, hydrant rental paid to the Water Utility during the audit period should have been \$6,489.60.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue during the audit period. A payment of \$7,214.90 was made to the Indiana Department of Revenue on October 4, 2006, for "Retail Sales Tax." No documentation could be located which would substantiate this payment or identify which years the taxes remitted applied to or whether penalties and interest due to late payments were incurred.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUBSEQUENT EVENT - CONDITION OF THE RECORDS

The following deficiencies were noted in the 2008 records as of May 27, 2008:

1. Town fund and appropriation ledgers had not been posted.

TOWN OF WINDFALL
AUDIT RESULTS AND COMMENTS
(Continued)

2. Utility cash journals had not been posted.
3. Bank reconcilements for the Town, Water and Wastewater operating accounts had not been performed.
4. The Town deposits all utility collections to the Water Utility operating bank account and then transfers wastewater and trash collections to the Wastewater Operating fund and the Town Trash fund, respectively. These transfers had not been made for 2008. As a result, the Wastewater Operating bank account was overdrawn.
5. Remittances of federal income taxes withheld and amounts due to the Public Employees Retirement Fund were not made on a timely basis.
6. Deposits to the Water Utility Sinking Fund bank account as required by the United States Department of Agriculture Rural Development were not made on a timely basis. As a result, the account did not have a sufficient balance to cover interest payments due July 1, 2008.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

TO: THE OFFICIALS OF THE TOWN OF WINDFALL, TIPTON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Windfall (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)

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

July 14, 2008

TOWN OF WINDFALL
 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 Water System Improvements Project	10.760	15-068-351837885	\$ -	\$ 843,010
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-through Indiana Office of Community and Rural Affairs				
Community Development Block Grants - States Program Community Focus Fund	14.228	CF-06-229	-	356,460
Total federal awards expended			<u>\$ -</u>	<u>\$ 1,199,470</u>

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

TOWN OF WINDFALL
NOTE 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 Windfall (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 WINDFALL
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
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 were reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF WINDFALL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF WINDFALL
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2008, with Ann Riffe, Clerk-Treasurer; Lonnie Kinder, President of the Town Council; and Patricia Brown, Town Council member. The officials concurred with our audit findings.