

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

AUDIT REPORT

OF

TOWN OF MIDDLEBURY

ELKHART COUNTY, INDIANA

January 1, 2007 to December 31, 2008



**FILED**  
07/29/2009



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sally A. Nusbaum	01-01-04 to 12-31-11
President of the Town Council	Gary L. O'Dell	01-01-07 to 12-31-09
Superintendent of Water Utility	Ronald E. Chupp	01-01-07 to 12-31-09
Superintendent of Wastewater Utility	Bradley V. Clark	01-01-07 to 12-31-09



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF MIDDLEBURY, ELKHART 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 Middlebury (Town), as of and for the years ended December 31, 2007 and 2008, 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, 2007 and 2008, 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 June 17, 2009, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. 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, 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

June 17, 2009



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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 MIDDLEBURY, ELKHART 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 Middlebury (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 17, 2009. 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.

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

STATE BOARD OF ACCOUNTS

June 17, 2009

TOWN OF MIDDLEBURY  
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		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 698,658	\$ 63,695	\$ 15,274	\$ -	\$ (619,689)	\$ -	\$ (619,689)
Public safety	559,245	25,471	1,461	-	(532,313)	-	(532,313)
Highways and streets	1,016,625	-	65,651	34,158	(916,816)	-	(916,816)
Sanitation	98,818	-	-	-	(98,818)	-	(98,818)
Culture and recreation	145,043	1,530	7,894	-	(135,619)	-	(135,619)
Principal and interest on indebtedness	190,584	-	-	-	(190,584)	-	(190,584)
Total governmental activities	2,708,973	90,696	90,280	34,158	(2,493,839)	-	(2,493,839)
Business-type activities:							
Water Utility	5,508,467	5,725,102	-	-	-	216,635	216,635
Wastewater Utility	1,627,981	1,560,838	-	-	-	(67,143)	(67,143)
Total business-type activities	7,136,448	7,285,940	-	-	-	149,492	149,492
Total primary government	\$ 9,845,421	\$ 7,376,636	\$ 90,280	\$ 34,158	(2,493,839)	149,492	(2,344,347)
General receipts:							
Property taxes					1,482,122	-	1,482,122
Intergovernmental					766,795	35,665	802,460
Other local sources					26,633	-	26,633
Unrestricted investment earnings					113,607	112,512	226,119
Total general receipts					2,389,157	148,177	2,537,334
Change in net assets					(104,682)	297,669	192,987
Net assets - beginning					3,589,266	2,845,727	6,434,993
Net assets - ending					\$ 3,484,584	\$ 3,143,396	\$ 6,627,980
<b>Assets</b>							
Cash and investments					\$ 3,393,687	\$ 188,630	\$ 3,582,317
Cash with fiscal agent					-	982	982
Restricted assets:							
Cash and investments					90,897	2,953,784	3,044,681
Total assets					\$ 3,484,584	\$ 3,143,396	\$ 6,627,980
<b>Net Assets</b>							
Restricted for:							
Debt service					\$ 90,897	\$ 1,369,760	\$ 1,460,657
Other purposes					-	1,585,006	1,585,006
Unrestricted					3,393,687	188,630	3,582,317
Total net assets					\$ 3,484,584	\$ 3,143,396	\$ 6,627,980

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

TOWN OF MIDDLEBURY  
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	Cumulative Capital Development	Major Moves Construction Non-Reverting	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 743,308	\$ 331,627	-	116,699	\$ -	\$ 290,488	\$ 1,482,122
Intergovernmental	483,182	118,254	155,911	3,086	6,362	118,853	885,648
Charges for services	16,204	-	-	-	-	74,492	90,696
Fines and forfeits	-	-	-	-	-	480	480
Other	91,541	15,588	2,627	-	18,880	16,709	145,345
<b>Total receipts</b>	<b>1,334,235</b>	<b>465,469</b>	<b>158,538</b>	<b>119,785</b>	<b>25,242</b>	<b>501,022</b>	<b>2,604,291</b>
<b>Disbursements:</b>							
General government	496,511	-	-	-	-	34,630	531,141
Public safety	539,605	-	-	-	-	16,518	556,123
Highways and streets	-	401,223	-	-	-	30,652	431,875
Sanitation	98,818	-	-	-	-	-	98,818
Culture and recreation	-	-	-	-	-	145,043	145,043
Debt service:							
Principal	-	-	-	-	-	140,000	140,000
Interest	-	-	-	-	-	50,584	50,584
Capital outlay:							
General government	13,255	-	-	154,262	-	-	167,517
Public safety	3,122	-	-	-	-	-	3,122
Highways and streets	-	40,973	221,936	-	-	321,841	584,750
<b>Total disbursements</b>	<b>1,151,311</b>	<b>442,196</b>	<b>221,936</b>	<b>154,262</b>	<b>-</b>	<b>739,268</b>	<b>2,708,973</b>
Excess (deficiency) of receipts over disbursements	182,924	23,273	(63,398)	(34,477)	25,242	(238,246)	(104,682)
<b>Other financing sources (uses):</b>							
Interfund loans received and repayments received	200,000	50,000	200,000	62,000	-	12,000	524,000
Interfund loan payments to other funds and repaid	(200,000)	(50,000)	(200,000)	(62,000)	-	(12,000)	(524,000)
Transfers in	-	-	-	-	-	5,000	5,000
Transfers out	-	-	-	-	-	(5,000)	(5,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	182,924	23,273	(63,398)	(34,477)	25,242	(238,246)	(104,682)
Cash and investment fund balance - beginning	434,709	244,194	721,168	576,741	477,230	1,135,224	3,589,266
Cash and investment fund balance - ending	\$ 617,633	\$ 267,467	\$ 657,770	\$ 542,264	\$ 502,472	\$ 896,978	\$ 3,484,584
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 617,633	\$ 267,467	\$ 657,770	\$ 542,264	\$ 502,472	\$ 806,081	\$ 3,393,687
Restricted assets:							
Cash and investments	-	-	-	-	-	90,897	90,897
<b>Total cash and investment assets - December 31</b>	<b>\$ 617,633</b>	<b>\$ 267,467</b>	<b>\$ 657,770</b>	<b>\$ 542,264</b>	<b>\$ 502,472</b>	<b>\$ 896,978</b>	<b>\$ 3,484,584</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,897	\$ 90,897
Unrestricted	617,633	267,467	657,770	542,264	502,472	806,081	3,393,687
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 617,633</b>	<b>\$ 267,467</b>	<b>\$ 657,770</b>	<b>\$ 542,264</b>	<b>\$ 502,472</b>	<b>\$ 896,978</b>	<b>\$ 3,484,584</b>

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

TOWN OF MIDDLEBURY  
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	\$ 801,948	\$ -	\$ 801,948
Wastewater receipts	-	754,691	754,691
Fire protection - municipal	87,414	-	87,414
Fire protection - private	120,604	-	120,604
Penalties	9,607	8,630	18,237
Tap and connection fees	37,997	42,917	80,914
Surcharge revenue	-	119,281	119,281
Other	8,741	12,593	21,334
	<u>1,066,311</u>	<u>938,112</u>	<u>2,004,423</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	154,223	171,212	325,435
Pensions and benefits	62,625	81,499	144,124
Purchased power	63,799	91,421	155,220
Sludge removal	-	74,879	74,879
Material and supplies	87,944	186,477	274,421
Contractual services	55,794	95,341	151,135
Rents	6,245	-	6,245
Insurance disbursements	16,392	17,138	33,530
Other disbursements	51,625	104,711	156,336
	<u>498,647</u>	<u>822,678</u>	<u>1,321,325</u>
Total operating disbursements			
Excess of operating receipts over operating disbursements	<u>567,664</u>	<u>115,434</u>	<u>683,098</u>
Noneoperating receipts (disbursements):			
SRF bond proceeds	4,589,608	-	4,589,608
Interest and investment receipts	30,398	82,114	112,512
Industrial TIF District receipts from the County	-	615,972	615,972
Miscellaneous receipts	20,897	-	20,897
Wastewater assessment	-	6,754	6,754
Electric deposit refund	48,286	-	48,286
Debt service of principal	(99,000)	(275,000)	(374,000)
Interest and investment disbursement	(40,564)	(144,135)	(184,699)
Electric deposit refund	(19,331)	-	(19,331)
Capital expenditures	<u>(4,850,925)</u>	<u>(386,168)</u>	<u>(5,237,093)</u>
Total nonoperating receipts and (disbursements)	<u>(320,631)</u>	<u>(100,463)</u>	<u>(421,094)</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	<u>247,033</u>	<u>14,971</u>	<u>262,004</u>
Capital contributions	<u>35,665</u>	<u>-</u>	<u>35,665</u>
Excess of receipts and contributions over disbursements	282,698	14,971	297,669
Cash and investment fund balance - beginning	<u>858,424</u>	<u>1,987,303</u>	<u>2,845,727</u>
Cash and investment fund balance - ending	<u>\$ 1,141,122</u>	<u>\$ 2,002,274</u>	<u>\$ 3,143,396</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 75,818	\$ 112,812	\$ 188,630
Cash with fiscal agent	982	-	982
Restricted assets:			
Cash and investments	<u>1,064,322</u>	<u>1,889,462</u>	<u>2,953,784</u>
Total cash and investment assets - December 31	<u>\$ 1,141,122</u>	<u>\$ 2,002,274</u>	<u>\$ 3,143,396</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 386,977	\$ 982,783	\$ 1,369,760
Other purposes	678,327	906,679	1,585,006
Unrestricted	<u>75,818</u>	<u>112,812</u>	<u>188,630</u>
Total cash and investment fund balance - December 31	<u>\$ 1,141,122</u>	<u>\$ 2,002,274</u>	<u>\$ 3,143,396</u>

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

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

	Private-Purpose Trust Fund
Additions:	
Contributions:	
Other	\$ <u>705</u>
Investment earnings:	
Interest	<u>1,636</u>
Total additions	<u>2,341</u>
Excess of total additions over total deductions	2,341
Cash and investment fund balance - beginning	<u>53,477</u>
Cash and investment fund balance - ending	<u><u>\$ 55,818</u></u>

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

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 602,637	\$ 33,469	\$ -	\$ -	\$ (569,168)	\$ -	\$ (569,168)
Public safety	606,039	3,590	-	-	(602,449)	-	(602,449)
Highways and streets	1,001,405	-	83,044	32,093	(886,268)	-	(886,268)
Sanitation	111,210	-	-	-	(111,210)	-	(111,210)
Culture and recreation	135,030	1,130	12,516	-	(121,384)	-	(121,384)
Principal and interest on indebtedness	194,295	-	-	-	(194,295)	-	(194,295)
<b>Total governmental activities</b>	<b>2,650,616</b>	<b>38,189</b>	<b>95,560</b>	<b>32,093</b>	<b>(2,484,774)</b>	<b>-</b>	<b>(2,484,774)</b>
<b>Business-type activities:</b>							
Water Utility	1,443,742	1,346,976	-	-	-	(96,766)	(96,766)
Wastewater Utility	1,701,034	1,450,479	-	-	-	(250,555)	(250,555)
<b>Total business-type activities</b>	<b>3,144,776</b>	<b>2,797,455</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(347,321)</b>	<b>(347,321)</b>
<b>Total primary government</b>	<b>\$ 5,795,392</b>	<b>\$ 2,835,644</b>	<b>\$ 95,560</b>	<b>\$ 32,093</b>	<b>(2,484,774)</b>	<b>(347,321)</b>	<b>(2,832,095)</b>
<b>General receipts:</b>							
Property taxes					901,639	-	901,639
Intergovernmental					847,135	-	847,135
Other local sources					19,510	-	19,510
Investment earnings					64,014	71,509	135,523
Interfund loans					100,000	(100,000)	-
<b>Total general receipts and interfund loans</b>					<b>1,932,298</b>	<b>(28,491)</b>	<b>1,903,807</b>
<b>Change in net assets</b>					<b>(552,476)</b>	<b>(375,812)</b>	<b>(928,288)</b>
<b>Net assets - beginning</b>					<b>3,484,584</b>	<b>3,143,396</b>	<b>6,627,980</b>
<b>Net assets - ending</b>					<b>\$ 2,932,108</b>	<b>\$ 2,767,584</b>	<b>\$ 5,699,692</b>
<b>Assets</b>							
Cash and investments					\$ 2,932,108	\$ 212,850	\$ 3,144,958
Cash with fiscal agent					-	999	999
Restricted assets:							
Cash and investments					-	2,553,735	2,553,735
<b>Total assets</b>					<b>\$ 2,932,108</b>	<b>\$ 2,767,584</b>	<b>\$ 5,699,692</b>
<b>Net Assets</b>							
Restricted for:							
Debt service					\$ 2,932,108	\$ 1,062,859	\$ 3,994,967
Other purposes					-	1,491,875	1,491,875
Unrestricted					-	212,850	212,850
<b>Total net assets</b>					<b>\$ 2,932,108</b>	<b>\$ 2,767,584</b>	<b>\$ 5,699,692</b>

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

TOWN OF MIDDLEBURY  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2008

	General	Motor Vehicle Highway	County Economic Development Income Tax	Cumulative Capital Development	Major Moves Construction Non-Reverting	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 507,544	\$ 178,056	\$ -	\$ 58,083	\$ -	\$ 157,956	\$ 901,639
Intergovernmental	476,105	91,356	155,363	2,689	-	242,502	968,015
Charges for services	17,079	-	-	-	-	20,191	37,270
Fines and forfeits	275	-	-	-	-	644	919
Other	40,482	6,603	796	-	14,602	27,814	90,297
<b>Total receipts</b>	<b>1,041,485</b>	<b>276,015</b>	<b>156,159</b>	<b>60,772</b>	<b>14,602</b>	<b>449,107</b>	<b>1,998,140</b>
<b>Disbursements:</b>							
General government	507,533	-	-	-	-	58,660	566,193
Public safety	554,145	-	-	-	-	51,894	606,039
Highways and streets	-	467,660	-	-	-	48,859	516,519
Sanitation	111,210	-	-	-	-	-	111,210
Culture and recreation	-	-	-	-	-	135,030	135,030
Debt service:							
Principal	-	-	-	-	-	150,000	150,000
Interest	-	-	-	-	-	44,295	44,295
Capital outlay:							
General government	6,444	-	-	-	-	30,000	36,444
Highways and streets	-	11,818	133,070	192,498	-	147,500	484,886
<b>Total disbursements</b>	<b>1,179,332</b>	<b>479,478</b>	<b>133,070</b>	<b>192,498</b>	<b>-</b>	<b>666,238</b>	<b>2,650,616</b>
Excess (deficiency) of receipts over disbursements	(137,847)	(203,463)	23,089	(131,726)	14,602	(217,131)	(652,476)
<b>Other financing sources (uses):</b>							
Interfund loans received and repayments received	400,000	100,000	-	-	-	80,000	580,000
Interfund loan payments to other funds and repaid	(400,000)	-	-	-	-	(80,000)	(480,000)
Transfers in	-	-	-	-	-	16,151	16,151
Transfers out	-	-	(11,151)	-	-	(5,000)	(16,151)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>100,000</b>	<b>(11,151)</b>	<b>-</b>	<b>-</b>	<b>11,151</b>	<b>100,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(137,847)	(103,463)	11,938	(131,726)	14,602	(205,981)	(552,476)
Cash and investment fund balance - beginning	617,633	267,467	657,770	542,264	502,472	896,978	3,484,584
Cash and investment fund balance - ending	<u>\$ 479,786</u>	<u>\$ 164,004</u>	<u>\$ 669,708</u>	<u>\$ 410,538</u>	<u>\$ 517,074</u>	<u>\$ 690,998</u>	<u>\$ 2,932,108</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	<u>\$ 479,786</u>	<u>\$ 164,004</u>	<u>\$ 669,708</u>	<u>\$ 410,538</u>	<u>\$ 517,074</u>	<u>\$ 690,998</u>	<u>\$ 2,932,108</u>
<b>Cash and Investment Fund Balance - December 31</b>							
Unrestricted	<u>\$ 479,786</u>	<u>\$ 164,004</u>	<u>\$ 669,708</u>	<u>\$ 410,538</u>	<u>\$ 517,074</u>	<u>\$ 690,998</u>	<u>\$ 2,932,108</u>

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

TOWN OF MIDDLEBURY  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts	\$ 748,007	\$ -	\$ 748,007
Wastewater receipts	-	751,443	751,443
Industrial TIF District receipts from the County	-	275,850	275,850
Fire Protection - municipal	87,414	-	87,414
Fire protection - private	115,701	-	115,701
Penalties	9,121	8,288	17,409
Tap and connection fees	26,920	286,162	313,082
Surcharge revenue	-	104,182	104,182
Other	17,192	17,728	34,920
<b>Total operating receipts</b>	<u>1,004,355</u>	<u>1,443,653</u>	<u>2,448,008</u>
Operating disbursements:			
Salaries and wages	157,133	191,238	348,371
Pensions and benefits	62,251	96,975	159,226
Purchased power	80,806	105,446	186,252
Sludge removal	-	81,283	81,283
Material and supplies	110,039	165,534	275,573
Contractual services	63,728	97,565	161,293
Rents	6,245	-	6,245
Insurance disbursements	16,237	16,955	33,192
Other disbursements	66,954	124,015	190,969
<b>Total operating disbursements</b>	<u>563,393</u>	<u>879,011</u>	<u>1,442,404</u>
Excess of operating receipts over operating disbursements	<u>440,962</u>	<u>564,642</u>	<u>1,005,604</u>
Nonoperating receipts (disbursements):			
SRF bond proceeds	342,537	-	342,537
Interest and investment receipts	18,839	52,670	71,509
Miscellaneous receipts	84	-	84
Wastewater assessment	-	6,826	6,826
Debt service of principal	(204,000)	(589,000)	(793,000)
Interest and investment disbursement	(196,531)	(128,292)	(324,823)
Capital expenditures	(479,818)	(104,731)	(584,549)
<b>Total nonoperating receipts and (disbursements)</b>	<u>(518,889)</u>	<u>(762,527)</u>	<u>(1,281,416)</u>
Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	<u>(77,927)</u>	<u>(197,885)</u>	<u>(275,812)</u>
Loans to other funds	-	(530,000)	(530,000)
Repayment of loans to other funds	-	430,000	430,000
Deficiency of receipts and loan repayments over disbursements and loans to other funds	<u>(77,927)</u>	<u>(297,885)</u>	<u>(375,812)</u>
Cash and investment fund balance - beginning	<u>1,141,122</u>	<u>2,002,274</u>	<u>3,143,396</u>
Cash and investment fund balance - ending	<u>\$ 1,063,195</u>	<u>\$ 1,704,389</u>	<u>\$ 2,767,584</u>
<b>Cash and Investment Assets - December 31</b>			
Cash and investments	\$ 100,050	\$ 112,800	\$ 212,850
Cash with fiscal agent	999	-	999
Restricted assets:			
Cash and investments	<u>962,146</u>	<u>1,591,589</u>	<u>2,553,735</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,063,195</u>	<u>\$ 1,704,389</u>	<u>\$ 2,767,584</u>
<b>Cash and Investment Fund Balance - December 31</b>			
Restricted for:			
Debt service	\$ 413,602	\$ 649,257	\$ 1,062,859
Other purposes	549,543	942,332	1,491,875
Unrestricted	<u>100,050</u>	<u>112,800</u>	<u>212,850</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,063,195</u>	<u>\$ 1,704,389</u>	<u>\$ 2,767,584</u>

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

TOWN OF MIDDLEBURY  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2008

	<u>Private-Purpose Trust Fund</u>
Additions:	
Contributions:	
Other	\$ <u>225</u>
Investment earnings:	
Interest	<u>2,194</u>
Total additions	<u>2,419</u>
Excess of total additions over total deductions	2,419
Cash and investment fund balance - beginning	<u>55,818</u>
Cash and investment fund balance - ending	<u><u>\$ 58,237</u></u>

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

TOWN OF MIDDLEBURY  
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 Middlebury, including Water and Wastewater Utilities

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund is used by the Town to account for state motor vehicle highway distributions and property tax levied. This fund is used principally for the construction and maintenance of streets and alleys.

The county economic development income tax fund (C.E.D.I.T.) accounts for financial resources related to economic development projects including infrastructure improvements. Financing is provided by a county income tax.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The cumulative capital development fund is used by the Town to account for receipts and disbursements of taxes levied under IC 36-9-15.5 for capital project uses.

The major moves construction non-reverting fund accounts for state distributions according to IC 8-14-16 and disbursements according to IC 8-14-16-5

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 type:

The private-purpose trust fund reports a trust arrangement under which principal and income benefit the Town.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Enterprise funds distinguish operating receipts and disbursements from non-operating 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.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 non-operating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. Property taxes levied for the year 2007 were not billed until late in 2008 and not collected by the County Treasurer and available for distribution to the Town until February, 2009.

3. 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.

4. 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.

5. 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."

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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:

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by object and department within the fund for the General Fund and by object within the fund for all other budgeted funds.

B. Cash and Investment Balance Deficits

At December 31, 2008, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute:

Fund	2008
Debt service	\$ <u>(6,649)</u>

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.

TOWN OF MIDDLEBURY  
 NOTES TO FINANCIAL STATEMENTS  
 (Continued)

III. Detailed Notes on All Funds

A. 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 Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$5,758,338. 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.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2007 and 2008, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2007</u>	<u>2008</u>
C.E.D.I.T.	Other governmental	\$ -	\$ 11,151
Other governmental	Other governmental	<u>5,000</u>	<u>5,000</u>
Totals		<u>\$ 5,000</u>	<u>\$ 16,151</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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1996, 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 approximately 350 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 Workman's Compensation coverage. 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 \$5,000,000 limit.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Temporary Loans

The Town had temporary loans between town funds and between the town and the wastewater utility for cash flow purposes in advance of property tax collections. Because the final property tax distributions did not come until 2009, all of the loans could not be repaid by December 31, 2008. Short-term debt activity for the years ended December 31, 2007 and December 31, 2008, was as follows.

Loan From	Loan To	2007	2008	Repaid by Year End December 31
C.E.D.I.T.	General	\$ 200,000	\$ -	\$ 200,000
Cumulative capital development	Motor vehicle highway	50,000	-	50,000
Cumulative capital development	Other governmental	12,000	-	12,000
Other governmental	Other governmental*	-	50,000	-
Wastewater Utility	General fund	-	400,000	400,000
Wastewater Utility	Motor vehicle highway*	-	100,000	-
Wastewater Utility	Other governmental	-	30,000	30,000
Totals		<u>\$ 262,000</u>	<u>\$ 580,000</u>	<u>\$ 692,000</u>

\*Repaid on March 12, 2009.

C. Pension Plan

Defined Contribution Pension Plan

401(a) Money Purchase Plan and Trust Pension

Plan Description

The Town has a defined contribution pension plan administered by Nationwide Life Insurance Company. The plan provides retirement benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and Nationwide Life Insurance Company. The Company issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

Nationwide Retirement Solutions  
One Nationwide Plaza Dept. 0888  
Columbus, OH 43271-0888  
Ph. 1-800-321-7467

Funding Policy and Annual Pension Cost

The contribution requirements of plan members, which include town employees and elected officials, are established by the written agreement between the Town, as the Plan Administrator and Nationwide Life Insurance Company, holder of the assets of the trust. The plan is funded through this trust. Assets of the trust are invested in group annuity contracts issued by Nationwide Life Insurance Company. The Town is required to contribute a set amount for each member depending on years of service. Employer contributions to the plan at the end of 2007 and 2008 were \$25,860 and \$32,900, respectively.

TOWN OF MIDDLEBURY  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Employees and elected officials do not contribute to this plan. They may contribute to a separate deferred compensation plan also through Nationwide Retirement Solutions and The United States Conference of Mayors.

D. Rate Structure – Enterprise Funds

Water Utility

On June 27, 1989, the Town Council adopted Ordinance 256 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on August 8, 2006.

Wastewater Utility

The current rate structure was approved by the Town Council on March 19, 2001, with an amendment, Ordinance 365-D dated January 7, 2008, increasing some surcharges.

TOWN OF MIDDLEBURY  
 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	Park and Recreation	Cemetery Operating	Law Enforcement Continuing Education	Rainy Day
Receipts:					
Taxes	\$ -	\$ 105,505	\$ 7,276	\$ -	\$ -
Intergovernmental	34,158	2,789	193	981	-
Charges for services	-	-	17,695	25,471	11,156
Fines and forfeits	-	-	-	480	-
Other	-	-	-	4,384	974
	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,384</u>	<u>974</u>
Total receipts	<u>34,158</u>	<u>108,294</u>	<u>25,164</u>	<u>31,316</u>	<u>12,130</u>
Disbursements:					
General government	-	-	15,081	-	-
Public safety	-	-	-	16,518	-
Highways and streets	23,061	-	-	-	-
Culture and recreation	-	119,614	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Capital outlay:					
Highways and streets	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>23,061</u>	<u>119,614</u>	<u>15,081</u>	<u>16,518</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>11,097</u>	<u>(11,320)</u>	<u>10,083</u>	<u>14,798</u>	<u>12,130</u>
Other financing sources (uses):					
Interfund loans received and repayments received	-	12,000	-	-	-
Interfund loan payments to other funds and repaid	-	(12,000)	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(5,000)	-	-	-
	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	11,097	(16,320)	10,083	14,798	12,130
Cash and investment fund balance - beginning	<u>17,264</u>	<u>82,669</u>	<u>57,221</u>	<u>52,874</u>	<u>14,160</u>
Cash and investment fund balance - ending	<u>\$ 28,361</u>	<u>\$ 66,349</u>	<u>\$ 67,304</u>	<u>\$ 67,672</u>	<u>\$ 26,290</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 28,361	\$ 66,349	\$ 67,304	\$ 67,672	\$ 26,290
Restricted assets:					
Cash and investments	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investment assets - December 31	<u>\$ 28,361</u>	<u>\$ 66,349</u>	<u>\$ 67,304</u>	<u>\$ 67,672</u>	<u>\$ 26,290</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>28,361</u>	<u>66,349</u>	<u>67,304</u>	<u>67,672</u>	<u>26,290</u>
Total cash and investment fund balance - December 31	<u>\$ 28,361</u>	<u>\$ 66,349</u>	<u>\$ 67,304</u>	<u>\$ 67,672</u>	<u>\$ 26,290</u>

TOWN OF MIDDLEBURY  
 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)

	Motor Vehicle Highway Nonreverting Wheel Tax	Riverboat Nonreverting	Park Nonreverting Operating	Debt Service	2004 GOB Construction
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 177,707	\$ -
Intergovernmental	65,651	-	-	4,698	-
Charges for services	-	18,640	1,530	-	-
Fines and forfeits	-	-	-	-	-
Other	560	495	5,461	-	742
<b>Total receipts</b>	<b>66,211</b>	<b>19,135</b>	<b>6,991</b>	<b>182,405</b>	<b>742</b>
Disbursements:					
General government	-	6,214	-	-	13,335
Public safety	-	-	-	-	-
Highways and streets	7,591	-	-	-	-
Culture and recreation	-	-	25,429	-	-
Debt service:					
Principal	-	-	-	140,000	-
Interest	-	-	-	50,584	-
Capital outlay:					
Highways and streets	-	-	-	-	321,841
<b>Total disbursements</b>	<b>7,591</b>	<b>6,214</b>	<b>25,429</b>	<b>190,584</b>	<b>335,176</b>
Excess (deficiency) of receipts over disbursements	58,620	12,921	(18,438)	(8,179)	(334,434)
Other financing sources (uses):					
Interfund loans received and repayments received	-	-	-	-	-
Interfund loan payments to other funds and repaid	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	58,620	12,921	(18,438)	(8,179)	(334,434)
Cash and investment fund balance - beginning	23,609	54,889	42,447	99,076	334,434
Cash and investment fund balance - ending	<u>82,229</u>	<u>67,810</u>	<u>24,009</u>	<u>90,897</u>	<u>-</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 82,229	\$ 67,810	\$ 24,009	\$ -	\$ -
Restricted assets:					
Cash and investments	-	-	-	90,897	-
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 82,229</u></b>	<b><u>\$ 67,810</u></b>	<b><u>\$ 24,009</u></b>	<b><u>\$ 90,897</u></b>	<b><u>\$ -</u></b>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ -	\$ -	\$ 90,897	\$ -
Unrestricted	82,229	67,810	24,009	-	-
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 82,229</u></b>	<b><u>\$ 67,810</u></b>	<b><u>\$ 24,009</u></b>	<b><u>\$ 90,897</u></b>	<b><u>\$ -</u></b>

TOWN OF MIDDLEBURY  
 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)

	Cumulative Capital Improvement	General Improvement	Industrial Improvement	Part Nonreverting Capital	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 290,488
Intergovernmental	10,383	-	-	-	118,853
Charges for services	-	-	-	-	74,492
Fines and forfeits	-	-	-	-	480
Other	-	1,197	837	2,059	16,709
<b>Total receipts</b>	<b>10,383</b>	<b>1,197</b>	<b>837</b>	<b>2,059</b>	<b>501,022</b>
<b>Disbursements:</b>					
General government	-	-	-	-	34,630
Public safety	-	-	-	-	16,518
Highways and streets	-	-	-	-	30,652
Culture and recreation	-	-	-	-	145,043
<b>Debt service:</b>					
Principal	-	-	-	-	140,000
Interest	-	-	-	-	50,584
<b>Capital outlay:</b>					
Highways and streets	-	-	-	-	321,841
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>739,268</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>10,383</b>	<b>1,197</b>	<b>837</b>	<b>2,059</b>	<b>(238,246)</b>
<b>Other financing sources (uses):</b>					
Interfund loans received and repayments received	-	-	-	-	12,000
Interfund loan payments to other funds and repaid	-	-	-	-	(12,000)
Transfers in	-	-	-	5,000	5,000
Transfers out	-	-	-	-	(5,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>10,383</b>	<b>1,197</b>	<b>837</b>	<b>7,059</b>	<b>(238,246)</b>
<b>Cash and investment fund balance - beginning</b>	<b>67,984</b>	<b>120,620</b>	<b>116,285</b>	<b>51,692</b>	<b>1,135,224</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 78,367</b>	<b>\$ 121,817</b>	<b>\$ 117,122</b>	<b>\$ 58,751</b>	<b>\$ 896,978</b>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 78,367	\$ 121,817	\$ 117,122	\$ 58,751	\$ 806,081
<b>Restricted assets:</b>					
Cash and investments	-	-	-	-	90,897
<b>Total cash and investment assets - December 31</b>	<b>\$ 78,367</b>	<b>\$ 121,817</b>	<b>\$ 117,122</b>	<b>\$ 58,751</b>	<b>\$ 896,978</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
<b>Restricted for:</b>					
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 90,897
Unrestricted	78,367	121,817	117,122	58,751	806,081
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 78,367</b>	<b>\$ 121,817</b>	<b>\$ 117,122</b>	<b>\$ 58,751</b>	<b>\$ 896,978</b>

TOWN OF MIDDLEBURY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008

	Local Road and Street	Park and Recreation	Cemetery Operating	Criminal Justice Enforcement OPO	Grants from Other Governments	Law Enforcement Continuing Education
<b>Receipts:</b>						
Taxes	\$ -	\$ 63,387	\$ 2,121	\$ -	\$ -	\$ -
Intergovernmental	32,093	2,992	90	-	542	26,649
Charges for services	-	-	16,390	-	-	2,671
Fines and forfeits	-	-	-	-	-	644
Other	1,966	-	-	1,250	-	6,595
<b>Total receipts</b>	<b>34,059</b>	<b>66,379</b>	<b>18,601</b>	<b>1,250</b>	<b>542</b>	<b>36,559</b>
<b>Disbursements:</b>						
General government	-	-	30,898	-	-	-
Public safety	-	-	-	176	-	51,718
Highways and streets	48,859	-	-	-	-	-
Culture and recreation	-	128,669	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
<b>Total disbursements</b>	<b>48,859</b>	<b>128,669</b>	<b>30,898</b>	<b>176</b>	<b>-</b>	<b>51,718</b>
Excess (deficiency) of receipts over disbursements	(14,800)	(62,290)	(12,297)	1,074	542	(15,159)
<b>Other financing sources (uses):</b>						
Interfund loans received and repayments received	-	80,000	-	-	-	-
Interfund loan payments to other funds and repaid	-	(30,000)	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	(5,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>45,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(14,800)	(17,290)	(12,297)	1,074	542	(15,159)
Cash and investment fund balance - beginning	28,361	66,349	67,304	-	-	67,672
Cash and investment fund balance - ending	<u>\$ 13,561</u>	<u>\$ 49,059</u>	<u>\$ 55,007</u>	<u>\$ 1,074</u>	<u>\$ 542</u>	<u>\$ 52,513</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	<u>\$ 13,561</u>	<u>\$ 49,059</u>	<u>\$ 55,007</u>	<u>\$ 1,074</u>	<u>\$ 542</u>	<u>\$ 52,513</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Unrestricted	<u>\$ 13,561</u>	<u>\$ 49,059</u>	<u>\$ 55,007</u>	<u>\$ 1,074</u>	<u>\$ 542</u>	<u>\$ 52,513</u>

TOWN OF MIDDLEBURY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Rainy Day	Motor Vehicle Highway Nonreverting Wheel Tax	Riverboat Nonreverting	Park Nonreverting Operating	Debt Service
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 92,448
Intergovernmental	82,071	65,608	18,543	-	4,301
Charges for services	-	-	-	1,130	-
Fines and forfeits	-	-	-	-	-
Other	2,191	1,182	1,761	7,576	-
<b>Total receipts</b>	<b>84,262</b>	<b>66,790</b>	<b>20,304</b>	<b>8,706</b>	<b>96,749</b>
Disbursements:					
General government	-	-	16,611	-	-
Public safety	-	-	-	-	-
Highways and streets	-	-	-	-	-
Culture and recreation	-	-	-	6,361	-
Debt service:					
Principal	-	-	-	-	150,000
Interest	-	-	-	-	44,295
Capital outlay:					
General government	-	-	-	-	-
Highways and streets	-	147,500	-	-	-
<b>Total disbursements</b>	<b>-</b>	<b>147,500</b>	<b>16,611</b>	<b>6,361</b>	<b>194,295</b>
Excess (deficiency) of receipts over disbursements	84,262	(80,710)	3,693	2,345	(97,546)
Other financing sources (uses):					
Interfund loans received and repayments received	-	-	-	-	-
Interfund loan payments to other funds and repaid	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	84,262	(80,710)	3,693	2,345	(97,546)
Cash and investment fund balance - beginning	26,290	82,229	67,810	24,009	90,897
Cash and investment fund balance - ending	<u>\$ 110,552</u>	<u>\$ 1,519</u>	<u>\$ 71,503</u>	<u>\$ 26,354</u>	<u>\$ (6,649)</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	<u>\$ 110,552</u>	<u>\$ 1,519</u>	<u>\$ 71,503</u>	<u>\$ 26,354</u>	<u>\$ (6,649)</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Unrestricted	<u>\$ 110,552</u>	<u>\$ 1,519</u>	<u>\$ 71,503</u>	<u>\$ 26,354</u>	<u>\$ (6,649)</u>

TOWN OF MIDDLEBURY  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2008  
 (Continued)

	Cumulative Capital Improvement	General Improvement	Industrial Improvement	Part Nonreverting Capital	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 157,956
Intergovernmental	9,613	-	-	-	242,502
Charges for services	-	-	-	-	20,191
Fines and forfeits	-	-	-	-	644
Other	-	1,663	864	2,766	27,814
<b>Total receipts</b>	<b>9,613</b>	<b>1,663</b>	<b>864</b>	<b>2,766</b>	<b>449,107</b>
<b>Disbursements:</b>					
General government	-	11,151	-	-	58,660
Public safety	-	-	-	-	51,894
Highways and streets	-	-	-	-	48,859
Culture and recreation	-	-	-	-	135,030
<b>Debt service:</b>					
Principal	-	-	-	-	150,000
Interest	-	-	-	-	44,295
<b>Capital outlay:</b>					
General government	30,000	-	-	-	30,000
Highways and streets	-	-	-	-	147,500
<b>Total disbursements</b>	<b>30,000</b>	<b>11,151</b>	<b>-</b>	<b>-</b>	<b>666,238</b>
Excess (deficiency) of receipts over disbursements	(20,387)	(9,488)	864	2,766	(217,131)
<b>Other financing sources (uses):</b>					
Interfund loans received and repayments received	-	-	-	-	80,000
Interfund loan payments to other funds and repaid	-	-	(50,000)	-	(80,000)
Transfers in	-	11,151	-	5,000	16,151
Transfers out	-	-	-	-	(5,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>11,151</b>	<b>(50,000)</b>	<b>5,000</b>	<b>11,151</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(20,387)	1,663	(49,136)	7,766	(205,981)
Cash and investment fund balance - beginning	78,367	121,817	117,122	58,751	896,978
Cash and investment fund balance - ending	\$ 57,980	\$ 123,480	\$ 67,986	\$ 66,517	\$ 690,998
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ 57,980	\$ 123,480	\$ 67,986	\$ 66,517	\$ 690,998
<b>Cash and Investment Fund Balance - December 31</b>					
Unrestricted	\$ 57,980	\$ 123,480	\$ 67,986	\$ 66,517	\$ 690,998

TOWN OF MIDDLEBURY  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
General obligation bonds of 2004	\$ 1,090,000	\$ 189,289
Business-type Activities:		
Water Utility		
Revenue bonds:		
SRF Loan - 2006 Bonds	\$ 5,415,045	\$ 432,390
Wastewater Utility		
Revenue bonds:		
Refunding Bonds of 2003	435,000	95,098
SRF Loan - 1998 Bonds	1,489,000	207,938
Build Indiana Loan - 2001 Bonds	938,000	104,315
Total Wastewater Utility	2,862,000	407,351
Total business-type activities debt:	\$ 8,277,045	\$ 839,741

TOWN OF MIDDLEBURY  
AUDIT RESULT AND COMMENT

CAPITAL ASSET RECORDS - TOWN AND UTILITIES

The Clerk-Treasurer does not maintain any capital asset records for the Town and the Utilities. Upon purchase of capital assets for the Town or Utilities, the costs of the capital assets should be recorded in capital asset ledgers, including an aggregate Utility Plant in Service account, and subsidiary accounts for land, buildings, etc., for the Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
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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 MIDDLEBURY, ELKHART COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Middlebury (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, 2007 and 2008. 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 program 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 program for the years ended December 31, 2007 and 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2008-1.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in Finding No. 2008-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies.

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. Of the significant deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs, we consider Finding 2008-1 to be a material weakness.

The Town's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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

STATE BOARD OF ACCOUNTS

June 17, 2009

TOWN OF MIDDLEBURY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2007 and 2008

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07	Total Federal Awards Expended 12-31-08
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW 05 1020 01	\$ 1,809,543	\$ 171,417
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Public Assistance Grants	97.036	Snow Emergency 3274	5,041	-
Total federal awards expended			<u>\$ 1,814,584</u>	<u>\$ 171,417</u>

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

TOWN OF MIDDLEBURY  
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 Middlebury (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 MIDDLEBURY  
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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	yes
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

None.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2008-1, INTERNAL CONTROL MATERIAL WEAKNESS/  
EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Environmental Protection Agency  
Federal Program: Capitalization Grants for Drinking Water State Revolving Funds  
CFDA number: 66.468  
Federal award number: DW 05 1020 01  
Pass-through entity: Indiana Finance Authority

The Town of Middlebury and enterprise funds (Water and Wastewater Utilities) do not maintain records for construction-in-progress, equipment or property purchased with Federal monies. Also, there is no system to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate records, periodic physical inventories cannot be compared to property records.

The Town and Utilities' capital asset records do not exist. There are no records to adequately document additions, deletions or construction-in-progress. During 2006, 2007 and 2008, approximately \$5,415,045 from the SRF loan was used to pay for construction, which should be accounted for as construction-in-progress in the unit's capital asset records.

Pursuant to 40 CFR 30.34 (f) (1) through (3): "(f) The recipient's property management standards for equipment acquired with Federal funds and federally-owned equipment shall include all of the following.

- (1) Equipment records shall be maintained accurately and shall include the following information.
  - (i) A description of the equipment.
  - (ii) Manufacturer's serial number, model number, Federal stock number, national stock number, or other identification number.
  - (iii) Source of the equipment, including the award number.
  - (iv) Whether title vests in the recipient or the Federal Government.
  - (v) Acquisition date (or date received, if the equipment was furnished by the Federal Government) and cost.
  - (vi) Information from which one can calculate the percentage of Federal participation in the cost of the equipment (not applicable to equipment furnished by the Federal Government).

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

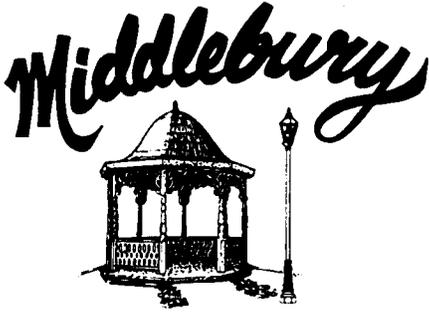
- (vii) Location and condition of the equipment and the date the information was reported.
  - (viii) Unit acquisition cost.
  - (ix) Ultimate disposition data, including date of disposal and sales price or the method used to Determine current fair market value where a recipient compensates EPA for its share.
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and results reconciled with the equipment records at least once every two years. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment."

Failure to maintain detailed and accurate equipment and property records and to reconcile physical Inventory could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

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

TOWN OF MIDDLEBURY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



2007-2008 Federal A133 Audit Corrective Action Plan

CORRECTIVE ACTION PLAN

*Town Council*

*Gary O'Dell  
Dan Frederick  
Jack Kortie  
Jon Ottinger  
Dan Shoup*

*Clerk-Treasurer*

*Sally A. Nusbaum, IAMC*

*Town Manager*

*Lowell Miller*

Finding No.208-1 Internal Control Material Weakness/  
Equipment and Real Property Management

The Clerk-Treasurer, Sally Nusbaum, is in contact with Ron Heller of Munilytics, a municipal finance consulting firm, to explore the possibility of their creating a Capitol Asset Accounting report for the Town of Middlebury.

*Sally A. Nusbaum 6-17-09*

Sally A. Nusbaum  
Clerk-Treasurer  
Town of Middlebury  
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TOWN OF MIDDLEBURY  
EXIT CONFERENCE

The contents of this report were discussed on June 17, 2009, with Sally A. Nusbaum, Clerk-Treasurer. The official concurred with our audit finding.