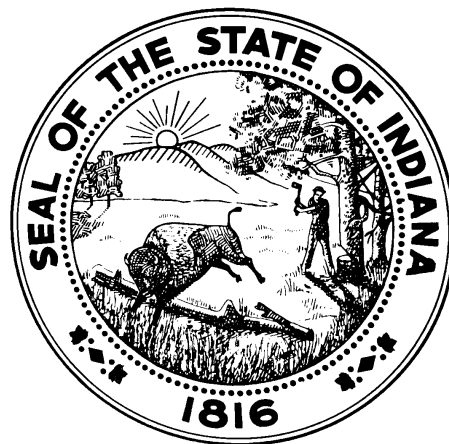


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

AUDIT REPORT
OF
TOWN OF ORESTES
MADISON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
08/26/2008

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Erin A. Atwood	01-01-04 to 12-31-11
President of the Town Council	John T. Shettle	01-01-06 to 12-31-08
Superintendent of Water Utility	Neal McKee	01-01-06 to 12-31-08
Superintendent of Wastewater Utility	Neal McKee	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF ORESTES, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Orestes (Town), as of and for the years ended December 31, 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 August 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.

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

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Town taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

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

August 14, 2008



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 ORESTES, MADISON 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 Orestes (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 August 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.

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

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

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

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

Compliance and Other Matters

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

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.

August 14, 2008

STATE BOARD OF ACCOUNTS

TOWN OF ORESTES
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	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:						
General government	\$ 88,828	\$ 1,922	\$ 33,623	\$ (53,283)	\$ -	\$ (53,283)
Public safety	59	-	-	(59)	-	(59)
Highways and streets	29,074	-	-	(29,074)	-	(29,074)
Interest on long-term debt	2,707	-	-	(2,707)	-	(2,707)
Total governmental activities	120,668	1,922	33,623	(85,123)	-	(85,123)
Business-type activities:						
Water	74,603	76,527	-	-	1,924	1,924
Wastewater	108,586	115,285	-	-	6,699	6,699
Storm water	41,771	2,003	-	-	(39,768)	(39,768)
Trash	18,118	17,771	-	-	(347)	(347)
Total business-type activities	243,078	211,586	-	-	(31,492)	(31,492)
Totals	\$ 363,746	\$ 213,508	\$ 33,623	(85,123)	(31,492)	(116,615)
General receipts:						
Property taxes				75,468	-	75,468
Other local sources				61,427	-	61,427
Total general receipts				136,895	-	136,895
Change in net assets				51,772	(31,492)	20,280
Net assets - beginning				191,427	133,110	324,537
Net assets - ending				\$ 243,199	\$ 101,618	\$ 344,817
Assets						
Cash and investments				\$ 143,439	\$ 7,184	\$ 150,623
Restricted assets:						
Cash and investments				99,760	94,434	194,194
Total assets				\$ 243,199	\$ 101,618	\$ 344,817
Net Assets						
Restricted for:						
Debt service				\$ 6,458	\$ 45,512	\$ 51,970
Other purposes				93,302	48,922	142,224
Unrestricted				143,439	7,184	150,623
Total net assets				\$ 243,199	\$ 101,618	\$ 344,817

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

TOWN OF ORESTES
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2006

	General	Cumulative Capital Development	Debt Service	Food and Beverage	Governmental Funds	Totals
Receipts:						
Taxes	\$ 55,255	\$ 7,509	\$ 12,704	\$ -	-	\$ 75,468
Licenses and permits	1	-	-	-	160	161
Intergovernmental	33,108	397	671	33,623	20,017	87,816
Charges for services	1,917	-	-	-	5	1,922
Fines and forfeits	-	-	-	-	792	792
Other	6,281	-	-	-	-	6,281
Total receipts	96,562	7,906	13,375	33,623	20,974	172,440
Disbursements:						
General government	63,526	-	-	13,623	-	77,149
Public safety	-	-	-	-	59	59
Highways and streets	-	7,443	-	-	21,631	29,074
Debt service:						
Principal	-	-	11,679	-	-	11,679
Interest	-	-	2,707	-	-	2,707
Total disbursements	63,526	7,443	14,386	13,623	21,690	120,668
Excess (deficiency) of receipts over disbursements	33,036	463	(1,011)	20,000	(716)	51,772
Other financing sources (uses):						
Transfers in	-	-	-	-	12,037	12,037
Transfers out	(913)	(100)	(11,024)	-	-	(12,037)
Total other financing sources (uses)	(913)	(100)	(11,024)	-	12,037	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	32,123	363	(12,035)	20,000	11,321	51,772
Cash and investment fund balance - beginning	111,316	25,990	18,493	-	35,628	191,427
Cash and investment fund balance - ending	\$ 143,439	\$ 26,353	\$ 6,458	\$ 20,000	\$ 46,949	\$ 243,199
Cash and Investment Assets - December 31						
Cash and investments	\$ 143,439	\$ -	\$ -	-	-	\$ 143,439
Restricted assets:						
Cash and investments	-	26,353	6,458	20,000	46,949	99,760
Total cash and investment assets - December 31	\$ 143,439	\$ 26,353	\$ 6,458	\$ 20,000	\$ 46,949	\$ 243,199
Cash and Investment Fund Balance - December 31						
Restricted for:						
Debt service	\$ -	\$ -	\$ 6,458	\$ -	\$ -	\$ 6,458
Other purposes	-	26,353	-	20,000	46,949	93,302
Unrestricted	143,439	-	-	-	-	143,439
Total cash and investment fund balance - December 31	\$ 143,439	\$ 26,353	\$ 6,458	\$ 20,000	\$ 46,949	\$ 243,199

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

TOWN OF ORESTES
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2006

	Water Utility	Wastewater Utility	Storm Water Utility	Trash Utility	Totals
Operating receipts:					
Metered water receipts:					
Residential	\$ 56,848	\$ 90,846	\$ 1,943	\$ -	\$ 149,637
Commercial	16,889	23,964	60	-	40,913
Other water receipts	1,100	-	-	-	1,100
Other	<u>1,690</u>	<u>475</u>	<u>-</u>	<u>17,771</u>	<u>19,936</u>
Total operating receipts	<u>76,527</u>	<u>115,285</u>	<u>2,003</u>	<u>17,771</u>	<u>211,586</u>
Operating disbursements:					
Salaries and wages	15,397	12,850	-	-	28,247
Employee pensions and benefits	6,154	4,556	-	-	10,710
Purchased power	3,805	925	-	-	4,730
Purchased wastewater treatment	-	10,296	-	-	10,296
Chemicals	350	-	-	-	350
Material and supplies	15,210	419	-	-	15,629
Contractual services	18,705	4,923	41,771	18,118	83,517
Transportation disbursements	627	6	-	-	633
Insurance disbursements	8,047	588	-	-	8,635
Miscellaneous disbursements	<u>6,308</u>	<u>1,635</u>	<u>-</u>	<u>-</u>	<u>7,943</u>
Total operating disbursements	<u>74,603</u>	<u>36,198</u>	<u>41,771</u>	<u>18,118</u>	<u>170,690</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>1,924</u>	<u>79,087</u>	<u>(39,768)</u>	<u>(347)</u>	<u>40,896</u>
Nonoperating (disbursements):					
Debt service of principal	-	(43,000)	-	-	(43,000)
Interest	<u>-</u>	<u>(29,388)</u>	<u>-</u>	<u>-</u>	<u>(29,388)</u>
Total nonoperating (disbursements)	<u>-</u>	<u>(72,388)</u>	<u>-</u>	<u>-</u>	<u>(72,388)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	1,924	6,699	(39,768)	(347)	(31,492)
Transfers in	15,123	75,579	-	-	90,702
Transfers out	<u>(15,123)</u>	<u>(75,579)</u>	<u>-</u>	<u>-</u>	<u>(90,702)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	1,924	6,699	(39,768)	(347)	(31,492)
Cash and investment fund balance - beginning	<u>39,336</u>	<u>49,511</u>	<u>44,118</u>	<u>145</u>	<u>133,110</u>
Cash and investment fund balance - ending	<u>\$ 41,260</u>	<u>\$ 56,210</u>	<u>\$ 4,350</u>	<u>\$ (202)</u>	<u>\$ 101,618</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 845	\$ 6,339	\$ -	\$ -	\$ 7,184
Restricted assets:					
Cash and investments	<u>40,415</u>	<u>49,871</u>	<u>4,350</u>	<u>(202)</u>	<u>94,434</u>
Total cash and investment assets - December 31	<u>\$ 41,260</u>	<u>\$ 56,210</u>	<u>\$ 4,350</u>	<u>\$ (202)</u>	<u>\$ 101,618</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ 45,512	\$ -	\$ -	\$ 45,512
Other purposes	40,415	4,359	4,350	(202)	48,922
Unrestricted	<u>845</u>	<u>6,339</u>	<u>-</u>	<u>-</u>	<u>7,184</u>
Total cash and investment fund balance - December 31	<u>\$ 41,260</u>	<u>\$ 56,210</u>	<u>\$ 4,350</u>	<u>\$ (202)</u>	<u>\$ 101,618</u>

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

TOWN OF ORESTES
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	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Governmental activities:						
General government	\$ 92,093	\$ 2,742	\$ -	\$ (89,351)	\$ -	\$ (89,351)
Public safety	1,381	3	-	(1,378)	-	(1,378)
Highways and streets	31,654	-	-	(31,654)	-	(31,654)
Economic development	632,285	-	632,285	-	-	-
Interest on long-term debt	2,183	-	-	(2,183)	-	(2,183)
Total governmental activities	759,596	2,745	632,285	(124,566)	-	(124,566)
Business-type activities:						
Water	72,858	94,013	-	-	21,155	21,155
Wastewater	130,359	132,949	-	-	2,590	2,590
Storm water	4,726	1,962	-	-	(2,764)	(2,764)
Trash	18,241	18,369	-	-	128	128
Total business-type activities	226,184	247,293	-	-	21,109	21,109
Totals	\$ 985,780	\$ 250,038	\$ 632,285	(124,566)	21,109	(103,457)
General receipts:						
Other local sources				61,571	-	61,571
Change in net assets				(62,995)	21,109	(41,886)
Net assets - beginning				243,199	101,618	344,817
Net assets - ending				<u>\$ 180,204</u>	<u>\$ 122,727</u>	<u>\$ 302,931</u>
Assets						
Cash and investments				\$ 128,329	\$ 12,933	\$ 141,262
Restricted assets:						
Cash and investments				51,875	109,794	161,669
Total assets				<u>\$ 180,204</u>	<u>\$ 122,727</u>	<u>\$ 302,931</u>
Net Assets						
Restricted for:						
Debt service				\$ -	\$ 54,965	\$ 54,965
Other purposes				59,742	54,829	114,571
Unrestricted				120,462	12,933	133,395
Total net assets				<u>\$ 180,204</u>	<u>\$ 122,727</u>	<u>\$ 302,931</u>

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

TOWN OF ORESTES
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2007

	General	Cumulative Capital Development	Debt Service	Food and Beverage	Community Development Block Grant	Other Governmental Funds	Totals
Receipts:							
Licenses and permits	\$ 1	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 201
Intergovernmental	35,041	31	60	-	500,000	17,661	552,793
Charges for services	2,742	-	-	-	-	3	2,745
Fines and forfeits	-	-	-	-	-	847	847
Other	7,667	-	-	132,285	-	63	140,015
Total receipts	45,451	31	60	132,285	500,000	18,774	696,601
Disbursements:							
General government	61,912	-	-	17,979	-	-	79,891
Public safety	-	-	-	-	-	1,381	1,381
Highways and streets	-	7,659	-	-	-	23,995	31,654
Urban redevelopment and housing	-	-	-	132,285	500,000	-	632,285
Debt service:							
Principal	-	-	12,202	-	-	-	12,202
Interest	-	-	2,183	-	-	-	2,183
Total disbursements	61,912	7,659	14,385	150,264	500,000	25,376	759,596
Excess (deficiency) of receipts over disbursements	(16,461)	(7,628)	(14,325)	(17,979)	-	(6,602)	(62,995)
Other financing sources (uses):							
Transfers in	1,351	-	-	-	-	-	1,351
Transfers out	-	-	-	-	-	(1,351)	(1,351)
Total other financing sources (uses)	1,351	-	-	-	-	(1,351)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,110)	(7,628)	(14,325)	(17,979)	-	(7,953)	(62,995)
Cash and investment fund balance - beginning	143,439	26,353	6,458	20,000	-	46,949	243,199
Cash and investment fund balance - ending	<u>\$ 128,329</u>	<u>\$ 18,725</u>	<u>\$ (7,867)</u>	<u>\$ 2,021</u>	<u>\$ -</u>	<u>\$ 38,996</u>	<u>\$ 180,204</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 128,329	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,329
Restricted assets:							
Cash and investments	-	18,725	(7,867)	2,021	-	38,996	51,875
Total cash and investment assets - December 31	\$ 128,329	\$ 18,725	\$ (7,867)	\$ 2,021	\$ -	\$ 38,996	\$ 180,204
Cash and Investment Fund Balance - December 31							
Restricted for:							
Other purposes	\$ -	\$ 18,725	\$ -	\$ 2,021	\$ -	\$ 38,996	\$ 59,742
Unrestricted	128,329	-	(7,867)	-	-	-	120,462
Total cash and investment fund balance - December 31	\$ 128,329	\$ 18,725	\$ (7,867)	\$ 2,021	\$ -	\$ 38,996	\$ 180,204

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

TOWN OF ORESTES
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility	Trash Utility	Totals
Operating receipts:					
Metered water receipts:					
Residential	\$ 61,211	\$ 92,226	\$ 1,914	\$ -	\$ 155,351
Commercial	25,958	29,435	48	-	55,441
Other water receipts	175	-	-	-	175
Other	<u>6,669</u>	<u>11,288</u>	<u>-</u>	<u>18,369</u>	<u>36,326</u>
Total operating receipts	<u>94,013</u>	<u>132,949</u>	<u>1,962</u>	<u>18,369</u>	<u>247,293</u>
Operating disbursements:					
Salaries and wages	16,117	13,399	-	-	29,516
Employee pensions and benefits	6,377	4,814	-	-	11,191
Purchased power	3,824	1,079	-	-	4,903
Purchased wastewater treatment	-	11,256	-	-	11,256
Chemicals	285	-	-	-	285
Material and supplies	9,851	2	1,468	-	11,321
Contractual services	15,591	13,826	3,258	18,241	50,916
Transportation disbursements	523	-	-	-	523
Insurance disbursements	8,229	550	-	-	8,779
Miscellaneous disbursements	<u>12,061</u>	<u>12,378</u>	<u>-</u>	<u>-</u>	<u>24,439</u>
Total operating disbursements	<u>72,858</u>	<u>57,304</u>	<u>4,726</u>	<u>18,241</u>	<u>153,129</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>21,155</u>	<u>75,645</u>	<u>(2,764)</u>	<u>128</u>	<u>94,164</u>
Nonoperating (disbursements):					
Debt service of principal	-	(45,000)	-	-	(45,000)
Interest	<u>-</u>	<u>(28,055)</u>	<u>-</u>	<u>-</u>	<u>(28,055)</u>
Total nonoperating receipts	<u>-</u>	<u>(73,055)</u>	<u>-</u>	<u>-</u>	<u>(73,055)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	21,155	2,590	(2,764)	128	21,109
Transfers in	17,434	82,609	-	-	100,043
Transfers out	<u>(17,434)</u>	<u>(82,609)</u>	<u>-</u>	<u>-</u>	<u>(100,043)</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	21,155	2,590	(2,764)	128	21,109
Cash and investment fund balance - beginning	<u>41,260</u>	<u>56,210</u>	<u>4,350</u>	<u>(202)</u>	<u>101,618</u>
Cash and investment fund balance - ending	<u>\$ 62,415</u>	<u>\$ 58,800</u>	<u>\$ 1,586</u>	<u>\$ (74)</u>	<u>\$ 122,727</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 9,098	\$ 3,835	\$ -	\$ -	\$ 12,933
Restricted assets:					
Cash and investments	<u>53,317</u>	<u>54,965</u>	<u>1,586</u>	<u>(74)</u>	<u>109,794</u>
Total cash and investment assets - December 31	<u>\$ 62,415</u>	<u>\$ 58,800</u>	<u>\$ 1,586</u>	<u>\$ (74)</u>	<u>\$ 122,727</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Debt service	\$ -	\$ 54,965	\$ -	\$ -	\$ 54,965
Other purposes	53,317	-	1,586	(74)	54,829
Unrestricted	<u>9,098</u>	<u>3,835</u>	<u>-</u>	<u>-</u>	<u>12,933</u>
Total cash and investment fund balance - December 31	<u>\$ 62,415</u>	<u>\$ 58,800</u>	<u>\$ 1,586</u>	<u>\$ (74)</u>	<u>\$ 122,727</u>

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

TOWN OF ORESTES
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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

The debt service fund is used to account for the accumulation of resources for, and the payment of, long-term debt principal and interest.

The food and beverage fund is used to account for receipts and disbursements of food and beverage tax revenues.

TOWN OF ORESTES
NOTES TO FINANCIAL STATEMENTS
(Continued)

The community development block grant fund is used to account for receipts and disbursements related to the federal grant for the Red Gold migrant housing project.

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.

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the town and the utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

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.

TOWN OF ORESTES
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Statements of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

1. Interfund services – Sales or purchases of goods and services between funds are reported as receipts and disbursements.
2. Interfund reimbursements – Repayments from funds responsible for certain disbursements to the funds that initially paid for them are not reported as reimbursements but as adjustments to disbursements in the respective funds.
3. Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

TOWN OF ORESTES
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

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, 2007, the following fund reported a deficit in cash and investments, which is a violation of the Uniform Compliance Guidelines and state statute:

Fund	2007
Debt Service	\$ <u>7,867</u>

Cash and investment deficit arose primarily from disbursements exceeding receipts due to the lack of property taxes received by the unit during 2007; this deficit is to be repaid from future receipts.

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 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.

TOWN OF ORESTES
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
General Fund	Other governmental funds	\$ 913	\$ -
Cumulative Capital Development	Other governmental funds	100	-
Debt Service	Other governmental funds	338	-
Debt Service	Other governmental funds	10,686	-
Other governmental funds	General Fund	-	1,351
Totals		<u>\$ 12,037</u>	<u>\$ 1,351</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; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

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

Wastewater Utility

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

Storm Water Utility

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

Trash Utility

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

TOWN OF ORESTES
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Riverboat Fund	Cumulative Capital Improvement	Trailer Deposit
Receipts:						
Licenses and permits	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ 150
Intergovernmental	12,663	4,058	-	2,102	1,194	-
Charges for services	-	-	5	-	-	-
Fines and forfeits	-	-	792	-	-	-
Total receipts	12,663	4,058	807	2,102	1,194	150
Disbursements:						
Public safety	-	-	59	-	-	-
Highways and streets	11,316	10,315	-	-	-	-
Total disbursements	11,316	10,315	59	-	-	-
Excess (deficiency) of receipts over disbursements	1,347	(6,257)	748	2,102	1,194	150
Other financing sources:						
Transfers in	-	-	-	-	10,686	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,347	(6,257)	748	2,102	11,880	150
Cash and investment fund balance - beginning	10,615	7,719	431	6,324	2,727	1,285
Cash and investment fund balance - ending	<u>\$ 11,962</u>	<u>\$ 1,462</u>	<u>\$ 1,179</u>	<u>\$ 8,426</u>	<u>\$ 14,607</u>	<u>\$ 1,435</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	<u>\$ 11,962</u>	<u>\$ 1,462</u>	<u>\$ 1,179</u>	<u>\$ 8,426</u>	<u>\$ 14,607</u>	<u>\$ 1,435</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	<u>\$ 11,962</u>	<u>\$ 1,462</u>	<u>\$ 1,179</u>	<u>\$ 8,426</u>	<u>\$ 14,607</u>	<u>\$ 1,435</u>

TOWN OF ORESTES
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2006
 (Continued)

	Tax Abatement	Community	Building Indiana	Excess Levy	Totals
Receipts:					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 160
Intergovernmental	-	-	-	-	20,017
Charges for services	-	-	-	-	5
Fines and forfeits	-	-	-	-	792
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total receipts	-	-	-	-	20,974
Disbursements:					
Public safety	-	-	-	-	59
Highways and streets	-	-	-	-	21,631
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total disbursements	-	-	-	-	21,690
Excess (deficiency) of receipts over disbursements	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	-	-	(716)
Other financing sources:					
Transfers in	-	-	-	1,351	12,037
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	1,351	11,321
Cash and investment fund balance - beginning	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	3,230	642	2,655	-	35,628
Cash and investment fund balance - ending	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,230	\$ 642	\$ 2,655	\$ 1,351	\$ 46,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,230	\$ 642	\$ 2,655	\$ 1,351	\$ 46,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Other purposes	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 3,230	\$ 642	\$ 2,655	\$ 1,351	\$ 46,949
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

TOWN OF ORESTES
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Riverboat Fund	Cumulative Capital Improvement	Trailer Deposit
Receipts:						
Licenses and permits	\$ -	\$ -	\$ 200	\$ -	\$ -	\$ -
Intergovernmental	12,414	4,074	-	-	1,173	-
Charges for services	-	-	3	-	-	-
Fines and forfeits	-	-	847	-	-	-
Other	28	-	35	-	-	-
Total receipts	12,442	4,074	1,085	-	1,173	-
Disbursements:						
Public safety	-	-	1,381	-	-	-
Highways and streets	12,296	4,040	-	-	7,659	-
Total disbursements	12,296	4,040	1,381	-	7,659	-
Excess (deficiency) of receipts over disbursements	146	34	(296)	-	(6,486)	-
Other financing uses:						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	146	34	(296)	-	(6,486)	-
Cash and investment fund balance - beginning	11,962	1,462	1,179	8,426	14,607	1,435
Cash and investment fund balance - ending	<u>\$ 12,108</u>	<u>\$ 1,496</u>	<u>\$ 883</u>	<u>\$ 8,426</u>	<u>\$ 8,121</u>	<u>\$ 1,435</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	<u>\$ 12,108</u>	<u>\$ 1,496</u>	<u>\$ 883</u>	<u>\$ 8,426</u>	<u>\$ 8,121</u>	<u>\$ 1,435</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Other purposes	<u>\$ 12,108</u>	<u>\$ 1,496</u>	<u>\$ 883</u>	<u>\$ 8,426</u>	<u>\$ 8,121</u>	<u>\$ 1,435</u>

TOWN OF ORESTES
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2007
 (Continued)

	Tax Abatement	Community	Building Indiana	Excess Levy	Totals
Receipts:					
Licenses and permits	\$ -	\$ -	\$ -	\$ -	\$ 200
Intergovernmental	-	-	-	-	17,661
Charges for services	-	-	-	-	3
Fines and forfeits	-	-	-	-	847
Other	-	-	-	-	63
Total receipts	-	-	-	-	18,774
Disbursements:					
Public safety	-	-	-	-	1,381
Highways and streets	-	-	-	-	23,995
Total disbursements	-	-	-	-	25,376
Excess (deficiency) of receipts over disbursements	-	-	-	-	(6,602)
Other financing uses:					
Transfers out	-	-	-	(1,351)	(1,351)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	-	(1,351)	(7,953)
Cash and investment fund balance - beginning	3,230	642	2,655	1,351	46,949
Cash and investment fund balance - ending	<u>\$ 3,230</u>	<u>\$ 642</u>	<u>\$ 2,655</u>	<u>\$ -</u>	<u>\$ 38,996</u>
<u>Cash and Investment Assets - December 31</u>					
Restricted assets:					
Cash and investments	<u>\$ 3,230</u>	<u>\$ 642</u>	<u>\$ 2,655</u>	<u>\$ -</u>	<u>\$ 38,996</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Other purposes	<u>\$ 3,230</u>	<u>\$ 642</u>	<u>\$ 2,655</u>	<u>\$ -</u>	<u>\$ 38,996</u>

TOWN OF ORESTES, MADISON COUNTY
 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:		
Loan Payable	\$ <u>39,988</u>	\$ <u>14,386</u>
Business-type Activities:		
Wastewater Utility Revenue bonds: 2002- Sanitary Sewer Lines	\$ <u>905,000</u>	\$ <u>72,358</u>

TOWN OF ORESTES
AUDIT RESULT AND COMMENT

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. Due to lack of deposit records for the years 1991 and 1992, other bookkeeping deficiencies from prior periods and bookkeeping deficiencies for the current audit period, the customer deposit register detailed balance could not be determined. A similar comment appeared in the three prior reports.

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)

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 ORESTES, MADISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Orestes (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

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

Internal Control Over Compliance

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

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

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

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

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

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

STATE BOARD OF ACCOUNTS

August 14, 2008

TOWN OF ORESTES
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 HOUSING AND URBAN DEVELOPMENT</u>				
Indiana Housing and Community Development Authority Community Development Block Grants/State's Program Comprehensive Plan-2005 Migrant Housing Grant Phase III	14.228	PL-04-012 HD-006-020	\$ 13,623 -	\$ - 500,000
Total for federal grantor agency			<u>13,623</u>	<u>500,000</u>
Total federal awards expended			<u>\$ 13,623</u>	<u>\$ 500,000</u>

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

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

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

TOWN OF ORESTES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? None reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? 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
14.228	Community Development Block Grants/State's Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF ORESTES
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Finding Number 2005-1

Original SBA Audit Report Number:	B28600
Fiscal Year	2005
Auditee Contact Person	Erin Atwood
Title of Contact Person	Clerk Treasurer
Phone Number	765-754-7175
Status of Finding	Corrective Action was Taken

Erin A. Atwood
8-11-08

TOWN OF ORESTES
EXIT CONFERENCE

The contents of this report were discussed on August 14, 2008, with Erin A. Atwood, Clerk-Treasurer; and John T. Shettle, President of the Town Council. The officials concurred with our audit finding.