

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

AUDIT REPORT

OF

TOWN OF LANESVILLE

HARRISON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
04/18/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda L. Smith	01-01-04 to 12-31-07
President of the Town Council	Donald Hamblen Herb Schneider	01-01-05 to 10-16-05 10-17-05 to 12-31-07
Superintendent of Utilities	Russell Sizemore	01-01-05 to 12-31-07



**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 LANESVILLE, HARRISON 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 Lanesville (Town), as of and for the years ended December 31, 2005 and 2006, 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, 2005 and 2006, 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 March 15, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the table of contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not a required part of the basic financial statements. The Combining Schedules, as listed in the table of contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 15, 2007



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF LANESVILLE, HARRISON COUNTY, INDIANA

We have audited the financial statements of the Town of Lanesville (Town), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated March 15, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

March 15, 2007

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

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	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 64,093	\$ 8,928	\$ 20,274	\$ -	\$ (34,891)	\$ -	\$ (34,891)
Public safety	9,704	-	5,662	-	(4,042)	-	(4,042)
Highways and streets	66,795	-	23,630	-	(43,165)	-	(43,165)
Sanitation	22,830	26,806	-	-	3,976	-	3,976
<b>Total governmental activities</b>	<b>163,422</b>	<b>35,734</b>	<b>49,566</b>	<b>-</b>	<b>(78,122)</b>	<b>-</b>	<b>(78,122)</b>
<b>Business-type activities:</b>							
Water	350,968	347,849	-	-	-	(3,119)	(3,119)
Wastewater	233,014	209,108	-	-	-	(23,906)	(23,906)
<b>Total business-type activities</b>	<b>583,982</b>	<b>556,957</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,025)</b>	<b>(27,025)</b>
<b>Total primary government</b>	<b>\$ 747,404</b>	<b>\$ 592,691</b>	<b>\$ 49,566</b>	<b>\$ -</b>	<b>(78,122)</b>	<b>(27,025)</b>	<b>(105,147)</b>
<b>General receipts:</b>							
Property taxes					27,584	-	27,584
Other local sources					6,992	-	6,992
Riverboat revenue sharing					108,753	-	108,753
Unrestricted investment earnings					3,732	2,793	6,525
Other receipts					1,910	-	1,910
<b>Total general receipts</b>					<b>148,971</b>	<b>2,793</b>	<b>151,764</b>
<b>Change in net assets</b>					<b>70,849</b>	<b>(24,232)</b>	<b>46,617</b>
<b>Net assets - beginning</b>					<b>353,652</b>	<b>515,121</b>	<b>868,773</b>
<b>Net assets - ending</b>					<b>\$ 424,501</b>	<b>\$ 490,889</b>	<b>\$ 915,390</b>
<b>Assets</b>							
Cash and investments					\$ 308,020	\$ 238,330	\$ 546,350
Restricted assets:							
Cash and investments					116,481	252,559	369,040
<b>Total assets</b>					<b>\$ 424,501</b>	<b>\$ 490,889</b>	<b>\$ 915,390</b>
<b>Net Assets</b>							
<b>Restricted for:</b>							
Public safety					\$ 1,349	\$ -	\$ 1,349
Highways and streets					43,888	-	43,888
Sanitation					12,355	-	12,355
Capital outlay					8,769	-	8,769
Economic development					50,120	-	50,120
Debt service					-	60,873	60,873
Customer deposits					-	33,686	33,686
Construction					-	158,000	158,000
Unrestricted					308,020	238,330	546,350
<b>Total net assets</b>					<b>\$ 424,501</b>	<b>\$ 490,889</b>	<b>\$ 915,390</b>

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

TOWN OF LANESVILLE  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2005

	General	Riverboat	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 27,584	\$ -	\$ -	\$ -	\$ 27,584
Licenses and permits	5	-	-	80	85
Intergovernmental	14,411	108,753	5,863	31,190	160,217
Charges for services	8,928	-	-	26,806	35,734
Fines and forfeits	-	-	-	158	158
Other	9,029	-	-	1,464	10,493
<b>Total receipts</b>	<b>59,957</b>	<b>108,753</b>	<b>5,863</b>	<b>59,698</b>	<b>234,271</b>
<b>Disbursements:</b>					
General government	54,271	9,813	-	9	64,093
Public safety	-	-	-	9,704	9,704
Highways and streets	-	-	-	12,380	12,380
Sanitation	-	-	-	22,830	22,830
Capital outlay:					
Highways and streets	-	54,415	-	-	54,415
<b>Total disbursements</b>	<b>54,271</b>	<b>64,228</b>	<b>-</b>	<b>44,923</b>	<b>163,422</b>
Excess of revenue over disbursements	5,686	44,525	5,863	14,775	70,849
<b>Other financing sources (uses)</b>					
Transfers in	-	1,185	-	2,000	3,185
Transfers out	-	-	-	(3,185)	(3,185)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>1,185</b>	<b>-</b>	<b>(1,185)</b>	<b>-</b>
Excess of receipts and other financing sources over disbursements and other financing uses	5,686	45,710	5,863	13,590	70,849
Cash and investment fund balance - beginning	29,494	227,130	44,257	52,771	353,652
Cash and investment fund balance - ending	<u>\$ 35,180</u>	<u>\$ 272,840</u>	<u>\$ 50,120</u>	<u>\$ 66,361</u>	<u>\$ 424,501</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 35,180	\$ 272,840	\$ -	\$ -	\$ 308,020
Restricted assets:					
Cash and investments	-	-	50,120	66,361	116,481
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 35,180</u></b>	<b><u>\$ 272,840</u></b>	<b><u>\$ 50,120</u></b>	<b><u>\$ 66,361</u></b>	<b><u>\$ 424,501</u></b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ 1,349	\$ 1,349
Highways and streets	-	-	-	43,888	43,888
Sanitation	-	-	-	12,355	12,355
Capital outlay	-	-	-	8,769	8,769
Economic development	-	-	50,120	-	50,120
Unrestricted	35,180	272,840	-	-	308,020
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 35,180</u></b>	<b><u>\$ 272,840</u></b>	<b><u>\$ 50,120</u></b>	<b><u>\$ 66,361</u></b>	<b><u>\$ 424,501</u></b>

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

TOWN OF LANESVILLE  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS

As of and for the Year Ended December 31, 2005

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Total</u>
Operating receipts:			
Metered water receipts:			
Residential	\$ 152,108	\$ -	\$ 152,108
Fire protection receipts	17,276	-	17,276
Penalties	1,326	4,731	6,057
Customer deposits	2,945	7,247	10,192
Measured revenue:			
Residential	-	159,529	159,529
Tap fees	5,000	11,000	16,000
Other	<u>8,208</u>	<u>26,601</u>	<u>34,809</u>
 Total operating receipts	 <u>186,863</u>	 <u>209,108</u>	 <u>395,971</u>
 Operating disbursements:			
Equipment and capital improvements	117,417	-	117,417
Administration and general	800	12,250	13,050
Taxes	10,434	-	10,434
Salaries and wages	38,864	47,566	86,430
Employee pensions and benefits	3,051	4,672	7,723
Purchased water	73,167	-	73,167
Purchased power	4,831	11,170	16,001
Sludge removal	-	4,229	4,229
Chemicals	135	433	568
Material and supplies	14,435	2,364	16,799
Contractual services	55,787	79,239	135,026
Transportation disbursements	3,322	2,449	5,771
Insurance disbursements	4,087	3,685	7,772
Miscellaneous disbursements	<u>12,017</u>	<u>11,780</u>	<u>23,797</u>
 Total operating disbursements	 <u>338,347</u>	 <u>179,837</u>	 <u>518,184</u>
 Excess (deficiency) of operating receipts over operating disbursements	 <u>(151,484)</u>	 <u>29,271</u>	 <u>(122,213)</u>
 Nonoperating receipts (disbursements):			
Miscellaneous receipts	52,986	-	52,986
Proceeds from sale of assets	108,000	-	108,000
Interest and investment receipts	2,793	-	2,793
Debt service of principal	(6,583)	(29,991)	(36,574)
Interest and investment disbursement	<u>(6,038)</u>	<u>(23,186)</u>	<u>(29,224)</u>
 Total nonoperating receipts (disbursements)	 <u>151,158</u>	 <u>(53,177)</u>	 <u>97,981</u>
 Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	 (326)	 (23,906)	 (24,232)
 Cash and investment fund balance - beginning	 <u>287,578</u>	 <u>227,543</u>	 <u>515,121</u>
 Cash and investment fund balance - ending	 <u>\$ 287,252</u>	 <u>\$ 203,637</u>	 <u>\$ 490,889</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 107,839	\$ 130,491	\$ 238,330
Restricted assets:			
Cash and investments	<u>179,413</u>	<u>73,146</u>	<u>252,559</u>
 Total cash and investment assets - December 31	 <u>\$ 287,252</u>	 <u>\$ 203,637</u>	 <u>\$ 490,889</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 5,037	\$ 55,836	\$ 60,873
Customer deposit	16,376	17,310	33,686
Construction	158,000	-	158,000
Unrestricted	<u>107,839</u>	<u>130,491</u>	<u>238,330</u>
 Total cash and investment fund balance - December 31	 <u>\$ 287,252</u>	 <u>\$ 203,637</u>	 <u>\$ 490,889</u>

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

TOWN OF LANESVILLE  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2005

	Agency Fund
Additions:	
Agency fund additions	\$ 124,864
Deductions:	
Agency fund deductions	124,864
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	66
Cash and investment fund balance - ending	\$ 66

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

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Primary government:</b>							
<b>Governmental activities:</b>							
General government	\$ 134,224	\$ 9,249	\$ 20,837	\$ -	\$ (104,138)	\$ -	\$ (104,138)
Public safety	1,621	-	-	-	(1,621)	-	(1,621)
Highways and streets	13,621	-	26,677	-	13,056	-	13,056
Sanitation	30,145	27,870	-	-	(2,275)	-	(2,275)
<b>Total governmental activities</b>	<b>179,611</b>	<b>37,119</b>	<b>47,514</b>	<b>-</b>	<b>(94,978)</b>	<b>-</b>	<b>(94,978)</b>
<b>Business-type activities:</b>							
Water	2,350,115	279,483	-	1,824,000	-	(246,632)	(246,632)
Wastewater	168,289	181,460	-	-	-	13,171	13,171
<b>Total business-type activities</b>	<b>2,518,404</b>	<b>460,943</b>	<b>-</b>	<b>1,824,000</b>	<b>-</b>	<b>(233,461)</b>	<b>(233,461)</b>
<b>Total primary government</b>	<b>\$ 2,698,015</b>	<b>\$ 498,062</b>	<b>\$ 47,514</b>	<b>\$ 1,824,000</b>	<b>(94,978)</b>	<b>(233,461)</b>	<b>(328,439)</b>
<b>General receipts:</b>							
Property taxes					29,698	-	29,698
Other local sources					13,475	-	13,475
Riverboat revenue sharing					105,762	-	105,762
Unrestricted investment earnings					4,437	34,064	38,501
Transfers					(50,000)	50,000	-
<b>Total general receipts and transfers</b>					<b>103,372</b>	<b>84,064</b>	<b>187,436</b>
<b>Change in net assets</b>					<b>8,394</b>	<b>(149,397)</b>	<b>(141,003)</b>
<b>Net assets - beginning</b>					<b>424,501</b>	<b>490,889</b>	<b>915,390</b>
<b>Net assets - ending</b>					<b>\$ 432,895</b>	<b>\$ 341,492</b>	<b>\$ 774,387</b>
<b>Assets</b>							
Cash and investments					\$ 295,837	\$ 266,675	\$ 562,512
Restricted assets:							
Cash and investments					137,058	74,817	211,875
<b>Total assets</b>					<b>\$ 432,895</b>	<b>\$ 341,492</b>	<b>\$ 774,387</b>
<b>Net Assets</b>							
Restricted for:							
Public safety					\$ 2,713	\$ -	\$ 2,713
Highways and streets					56,944	-	56,944
Sanitation					10,080	-	10,080
Capital outlay					10,963	-	10,963
Economic development					56,358	-	56,358
Debt service					-	14,445	14,445
Customer deposits					-	35,902	35,902
Construction					-	24,470	24,470
Unrestricted					295,837	266,675	562,512
<b>Total net assets</b>					<b>\$ 432,895</b>	<b>\$ 341,492</b>	<b>\$ 774,387</b>

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

TOWN OF LANESVILLE  
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	Riverboat	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>					
Taxes	\$ 29,698	\$ -	\$ -	\$ -	\$ 29,698
Licenses and permits	15	-	-	90	105
Intergovernmental	14,599	105,762	6,238	28,871	155,470
Charges for services	9,249	-	-	27,870	37,119
Fines and forfeits	-	-	-	106	106
Other	12,638	-	-	2,869	15,507
<b>Total receipts</b>	<b>66,199</b>	<b>105,762</b>	<b>6,238</b>	<b>59,806</b>	<b>238,005</b>
<b>Disbursements:</b>					
General government	54,029	77,115	-	3,080	134,224
Public safety	-	-	-	1,621	1,621
Highways and streets	-	-	-	13,621	13,621
Sanitation	-	-	-	30,145	30,145
<b>Total disbursements</b>	<b>54,029</b>	<b>77,115</b>	<b>-</b>	<b>48,467</b>	<b>179,611</b>
<b>Excess of revenue over disbursements</b>	<b>12,170</b>	<b>28,647</b>	<b>6,238</b>	<b>11,339</b>	<b>58,394</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	3,000	3,000
Transfers out	-	(53,000)	-	-	(53,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(53,000)</b>	<b>-</b>	<b>3,000</b>	<b>(50,000)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>12,170</b>	<b>(24,353)</b>	<b>6,238</b>	<b>14,339</b>	<b>8,394</b>
<b>Cash and investment fund balance - beginning</b>	<b>35,180</b>	<b>272,840</b>	<b>50,120</b>	<b>66,361</b>	<b>424,501</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 47,350</b>	<b>\$ 248,487</b>	<b>\$ 56,358</b>	<b>\$ 80,700</b>	<b>\$ 432,895</b>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 47,350	\$ 248,487	\$ -	\$ -	\$ 295,837
Restricted assets:					
Cash and investments	-	-	56,358	80,700	137,058
<b>Total cash and investment assets - December 31</b>	<b>\$ 47,350</b>	<b>\$ 248,487</b>	<b>\$ 56,358</b>	<b>\$ 80,700</b>	<b>\$ 432,895</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
<b>Restricted for:</b>					
Public safety	\$ -	\$ -	\$ -	\$ 2,713	\$ 2,713
Highways and streets	-	-	-	56,944	56,944
Sanitation	-	-	-	10,080	10,080
Capital outlay	-	-	-	10,963	10,963
Economic development	-	-	56,358	-	56,358
Unrestricted	47,350	248,487	-	-	295,837
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 47,350</b>	<b>\$ 248,487</b>	<b>\$ 56,358</b>	<b>\$ 80,700</b>	<b>\$ 432,895</b>

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

TOWN OF LANESVILLE  
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	Total
Operating receipts:			
Metered water receipts:			
Residential	\$ 227,491	\$ -	\$ 227,491
Penalties	2,110	5,119	7,229
Other water revenue	5,307	-	5,307
Customer deposits	2,471	4,632	7,103
Measured revenue:			
Residential	-	157,544	157,544
Tap Fees	3,000	12,000	15,000
Other	13,778	2,165	15,943
	<u>254,157</u>	<u>181,460</u>	<u>435,617</u>
Total operating receipts			
Operating disbursements:			
Equipment and capital improvements	2,039,719	-	2,039,719
Administration and general	1,779	13,953	15,732
Taxes	17,378	-	17,378
Insurance claims and premiums	4,477	-	4,477
Other	509	1,000	1,509
Salaries and wages	55,413	42,939	98,352
Employee pensions and benefits	4,096	4,525	8,621
Purchased water	79,202	-	79,202
Purchased power	5,299	15,018	20,317
Sludge removal	-	3,256	3,256
Chemicals	335	1,199	1,534
Material and supplies	19,346	4,322	23,668
Contractual services	53,965	16,427	70,392
Transportation disbursements	6,449	4,377	10,826
Insurance disbursements	-	4,514	4,514
Miscellaneous disbursements	4,652	7,673	12,325
	<u>2,292,619</u>	<u>119,203</u>	<u>2,411,822</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(2,038,462)</u>	<u>62,257</u>	<u>(1,976,205)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	33,877	187	34,064
Miscellaneous receipts	25,326	-	25,326
Debt service of principal	(52,136)	(29,125)	(81,261)
Interest and investment disbursement	(5,360)	(19,961)	(25,321)
	<u>1,707</u>	<u>(48,899)</u>	<u>(47,192)</u>
Total nonoperating receipts (disbursements)			
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(2,036,755)</u>	<u>13,358</u>	<u>(2,023,397)</u>
Capital contributions	1,824,000	-	1,824,000
Transfers in	50,000	-	50,000
	<u>1,874,000</u>	<u>-</u>	<u>1,874,000</u>
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	<u>(162,755)</u>	<u>13,358</u>	<u>(149,397)</u>
Cash and investment fund balance - beginning	<u>287,252</u>	<u>203,637</u>	<u>490,889</u>
Cash and investment fund balance - ending	<u>\$ 124,497</u>	<u>\$ 216,995</u>	<u>\$ 341,492</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 68,344	\$ 198,331	\$ 266,675
Restricted assets:			
Cash and investments	<u>56,153</u>	<u>18,664</u>	<u>74,817</u>
Total cash and investment assets - December 31	<u>\$ 124,497</u>	<u>\$ 216,995</u>	<u>\$ 341,492</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 14,445	\$ -	\$ 14,445
Customer deposits	17,238	18,664	35,902
Construction	24,470	-	24,470
Unrestricted	<u>68,344</u>	<u>198,331</u>	<u>266,675</u>
Total cash and investment fund balance - December 31	<u>\$ 124,497</u>	<u>\$ 216,995</u>	<u>\$ 341,492</u>

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

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

	Agency Fund
Additions:	
Agency fund additions	\$ 146,646
Deductions:	
Agency fund deductions	147,628
Deficiency of total additions over total deductions	(982)
Cash and investment fund balance - beginning	66
Cash and investment fund balance - ending	\$ (916)

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

TOWN OF LANESVILLE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

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

Primary Government: Town of Lanesville

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 non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The riverboat fund accounts for the revenue distributed by the county from the revenue sharing program agreed to by the riverboat casino located in Harrison County. The fund also accounts for expenditures of these monies by the Town.

The economic development income tax fund accounts for funds distributed to the Town by the county for economic development of the Town.

The Town reports the following major proprietary funds:

TOWN OF LANESVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The water utility fund accounts for the operation of the primary government's 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 agency fund accounts for assets held by the Town as an agent for other entities and serves as a control of accounts for certain cash transactions during the time they are a liability to 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.

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 water and wastewater. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services. Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

TOWN OF LANESVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Capital Assets

Capital assets arising from cash transactions acquired for use in governmental or proprietary fund operations are accounted for as capital outlay disbursements of the fund upon acquisition.

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

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

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.

TOWN OF LANESVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

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 function for all budgeted funds.

III. Detailed Notes on All Funds

A. Deposits and Investments

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. 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 LANESVILLE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2005</u>	<u>2006</u>
Riverboat	Other governmental	\$ -	3,000
Riverboat	Water Utility	-	50,000
Other governmental	Other governmental	2,000	-
Other governmental	Riverboat	<u>1,185</u>	<u>-</u>
Totals		<u>\$ 3,185</u>	<u>\$ 53,000</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. Risk financing is not utilized for the other risks of loss.

Job Related Illnesses or Injuries to Employees

During 2001, the Town joined a public entity risk pool, the Indiana Public Employer's Plan, Inc., currently operating as a common risk management and insurance program for member governmental entities. This risk pool was formed in 1989 for the purpose of providing a medium for the funding and administration of workers compensation claims. The Town pays an annual premium to the risk pool for its workers 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.

B. Rate Structure – Enterprise Funds

Water Utility

On January 1, 1995, the Town Council adopted Ordinance No. 01-1995-1 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on November 14, 2005.

Wastewater Utility

The current rate structure was approved by the Town Council on March 9, 1999.

TOWN OF LANESVILLE  
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND  
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
 OTHER GOVERNMENTAL FUNDS  
 For The Year Ended December 31, 2005

	Motor Vehicle Highway	Local Road and Street	Law Enforcement Continuing Education	Cumulative Capital Improvement	FEMA	Grant	Police	Trash	Totals
Receipts:									
Licenses and permits	\$ -	\$ -	\$ 80	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80
Intergovernmental	19,495	4,135	-	1,898	1,777	-	3,885	-	31,190
Charges for services	-	-	-	-	-	-	-	26,806	26,806
Fines and forfeits	-	-	158	-	-	-	-	-	158
Other	-	-	-	-	-	-	1,464	-	1,464
<b>Total receipts</b>	<b>19,495</b>	<b>4,135</b>	<b>238</b>	<b>1,898</b>	<b>1,777</b>	<b>-</b>	<b>5,349</b>	<b>26,806</b>	<b>59,698</b>
Disbursements:									
General government	-	-	-	-	-	9	-	-	9
Public safety	-	-	223	-	1,777	-	7,704	-	9,704
Highways and streets	10,598	1,782	-	-	-	-	-	-	12,380
Sanitation	-	-	-	-	-	-	-	22,830	22,830
<b>Total disbursements</b>	<b>10,598</b>	<b>1,782</b>	<b>223</b>	<b>-</b>	<b>1,777</b>	<b>9</b>	<b>7,704</b>	<b>22,830</b>	<b>44,923</b>
Excess (deficiency) of revenue over disbursements	8,897	2,353	15	1,898	-	(9)	(2,355)	3,976	14,775
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	2,000	-	2,000
Transfers out	-	-	-	(2,000)	-	(1,185)	-	-	(3,185)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,000)</b>	<b>-</b>	<b>(1,185)</b>	<b>2,000</b>	<b>-</b>	<b>(1,185)</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	8,897	2,353	15	(102)	-	(1,194)	(355)	3,976	13,590
Cash and investment fund balance - beginning	23,237	8,971	526	8,871	430	1,194	1,163	8,379	52,771
<b>Cash and investment fund balance - ending</b>	<b>\$ 32,134</b>	<b>\$ 11,324</b>	<b>\$ 541</b>	<b>\$ 8,769</b>	<b>\$ 430</b>	<b>\$ -</b>	<b>\$ 808</b>	<b>\$ 12,355</b>	<b>\$ 66,361</b>
<b><u>Cash and Investment Assets - December 31</u></b>									
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:									
Cash and investments	32,134	11,324	541	8,769	430	-	808	12,355	66,361
<b>Total cash and investment assets - December 31</b>	<b>\$ 32,134</b>	<b>\$ 11,324</b>	<b>\$ 541</b>	<b>\$ 8,769</b>	<b>\$ 430</b>	<b>\$ -</b>	<b>\$ 808</b>	<b>\$ 12,355</b>	<b>\$ 66,361</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>									
Restricted for:									
Public safety	\$ -	\$ -	\$ 541	\$ -	\$ -	\$ -	\$ 808	\$ -	\$ 1,349
Highways and streets	32,134	11,324	-	-	430	-	-	-	43,888
Sanitation	-	-	-	-	-	-	-	12,355	12,355
Capital outlay	-	-	-	8,769	-	-	-	-	8,769
Unrestricted	-	-	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 32,134</b>	<b>\$ 11,324</b>	<b>\$ 541</b>	<b>\$ 8,769</b>	<b>\$ 430</b>	<b>\$ -</b>	<b>\$ 808</b>	<b>\$ 12,355</b>	<b>\$ 66,361</b>

TOWN OF LANESVILLE  
 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	Cumulative Capital Improvement	FEMA	Police	Trash	Totals
<b>Receipts:</b>								
Licenses and permits	\$ -	\$ -	\$ 90	\$ -	\$ -	\$ -	\$ -	\$ 90
Intergovernmental	22,633	4,044	-	2,194	-	-	-	28,871
Charges for services	-	-	-	-	-	-	27,870	27,870
Fines and forfeits	-	-	106	-	-	-	-	106
Other	-	-	1,895	-	-	974	-	2,869
<b>Total receipts</b>	<b>22,633</b>	<b>4,044</b>	<b>2,091</b>	<b>2,194</b>	<b>-</b>	<b>974</b>	<b>27,870</b>	<b>59,806</b>
<b>Disbursements:</b>								
General government	-	-	3,080	-	-	-	-	3,080
Public safety	-	-	-	-	-	1,621	-	1,621
Highways and streets	13,621	-	-	-	-	-	-	13,621
Sanitation	-	-	-	-	-	-	30,145	30,145
<b>Total disbursements</b>	<b>13,621</b>	<b>-</b>	<b>3,080</b>	<b>-</b>	<b>-</b>	<b>1,621</b>	<b>30,145</b>	<b>48,467</b>
Excess (deficiency) of revenue over disbursements	9,012	4,044	(989)	2,194	-	(647)	(2,275)	11,339
<b>Other financing sources (uses)</b>								
Transfers in	-	-	1,000	-	-	2,000	-	3,000
Transfers out	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>	<b>-</b>	<b>2,000</b>	<b>-</b>	<b>3,000</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	9,012	4,044	11	2,194	-	1,353	(2,275)	14,339
Cash and investment fund balance - beginning	32,134	11,324	541	8,769	430	808	12,355	66,361
Cash and investment fund balance - ending	<u>\$ 41,146</u>	<u>\$ 15,368</u>	<u>\$ 552</u>	<u>\$ 10,963</u>	<u>\$ 430</u>	<u>\$ 2,161</u>	<u>\$ 10,080</u>	<u>\$ 80,700</u>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:								
Cash and investments	41,146	15,368	552	10,963	430	2,161	10,080	80,700
<b>Total cash and investment assets - December 31</b>	<u>\$ 41,146</u>	<u>\$ 15,368</u>	<u>\$ 552</u>	<u>\$ 10,963</u>	<u>\$ 430</u>	<u>\$ 2,161</u>	<u>\$ 10,080</u>	<u>\$ 80,700</u>
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Public safety	\$ -	\$ -	\$ 552	\$ -	\$ -	\$ 2,161	\$ -	\$ 2,713
Highways and streets	41,146	15,368	-	-	430	-	-	56,944
Sanitation	-	-	-	-	-	-	10,080	10,080
Capital outlay	-	-	-	10,963	-	-	-	10,963
Unrestricted	-	-	-	-	-	-	-	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 41,146</u>	<u>\$ 15,368</u>	<u>\$ 552</u>	<u>\$ 10,963</u>	<u>\$ 430</u>	<u>\$ 2,161</u>	<u>\$ 10,080</u>	<u>\$ 80,700</u>

TOWN OF LANESVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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

General infrastructure assets completed in the current and prior years have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 176,000
Buildings	7,300
Machinery and equipment	33,077
Total governmental activities, capital assets not being depreciated	\$ 216,377

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 16,500
Improvements other than buildings	2,336,951
Machinery and equipment	65,791
Total Water Utility capital assets	2,419,242
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	11,733
Construction in progress	147,319
Buildings	861,225
Improvements other than buildings	1,165,636
Machinery and equipment	124,133
Total Wastewater Utility capital assets	2,310,046
Total business-type activities capital assets	\$ 4,729,288

TOWN OF LANESVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Notes and loans payable	\$ 91,422	\$ 6,601
Revenue bonds:		
2005 Water improvement revenue bonds	<u>1,361,000</u>	<u>-</u>
Total Water Utility	<u>1,452,422</u>	<u>6,601</u>
Wastewater Utility		
Notes and loans payable	<u>415,804</u>	<u>30,070</u>
Total business-type activities long-term debt:	<u>\$ 1,868,226</u>	<u>\$ 36,671</u>

TOWN OF LANESVILLE  
AUDIT RESULT AND COMMENT

HYDRANT RENTAL PAYABLE

The Town of Lanesville owes the Water Utility hydrant rental of \$36,470 as of December 31, 2006, pursuant to Rate Ordinance 04-2005-03 passed by the Town Council on November 14, 2005.

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

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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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 LANESVILLE, HARRISON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Lanesville (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, 2005 and December 31, 2006. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2005 and 2006.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

March 15, 2007

TOWN OF LANESVILLE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant:				
Water and Waste Disposal Loans and Grants	10.770		\$ -	\$ 1,375,000
Water Improvement Project				
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Department of Community and Rural Affairs				
Community Development Block Grants/State's Program	14.228		-	500,000
Water Improvement Project		CF-05-201		
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EM3197	1,777	-
Total federal awards expended			<u>\$ 1,777</u>	<u>\$ 1,875,000</u>

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

TOWN OF LANESVILLE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2005 and 2006. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
Water and Waste Disposal Loans and Grants	10.770	\$ -	\$ 1,375,000

TOWN OF LANESVILLE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Reportable conditions identified that are not considered to be material weaknesses?	none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.770	Water and Waste Disposal Loans and Grants
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 LANESVILLE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LANESVILLE  
EXIT CONFERENCE

The contents of this report were discussed on March 26, 2007, with Linda L. Smith, Clerk-Treasurer; and Herb Schneider, President of the Town Council. The officials concurred with our audit finding.