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

AUDIT REPORT

OF

TOWN OF LAFONTAINE

WABASH COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
07/31/2007



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Harris	01-01-04 to 12-31-07
President of the Town Council	Michael Brane	01-01-05 to 12-31-07
Superintendent of Utilities	Dennis Jones	01-01-05 to 12-31-07



**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 LAFONTAINE, WABASH 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 LaFontaine (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 June 19, 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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

STATE BOARD OF ACCOUNTS

June 19, 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 LAFONTAINE, WABASH COUNTY, INDIANA

We have audited the financial statements of the Town of LaFontaine (Town), as of and for the years ended December 31, 2005 and 2006, and have issued our report thereon dated June 19, 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

June 19, 2007

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 98,282	\$ -	\$ 5,675	\$ 3,275	\$ (89,332)	\$ -	\$ (89,332)
Public safety	106,081	11,972	2,383	-	(91,726)	-	(91,726)
Highways and streets	101,073	-	29,827	5,098	(66,148)	-	(66,148)
Sanitation	17,864	19,982	-	-	2,118	-	2,118
Economic development	10,000	-	-	12,127	2,127	-	2,127
Culture and recreation	55	-	-	-	(55)	-	(55)
Total governmental activities	<u>333,355</u>	<u>31,954</u>	<u>37,885</u>	<u>20,500</u>	<u>(243,016)</u>	<u>-</u>	<u>(243,016)</u>
Business-type activities:							
Water	137,251	87,327	4,439	-	-	(45,485)	(45,485)
Wastewater	216,085	165,897	-	17,185	-	(33,003)	(33,003)
Total business-type activities	<u>353,336</u>	<u>253,224</u>	<u>4,439</u>	<u>17,185</u>	<u>-</u>	<u>(78,488)</u>	<u>(78,488)</u>
Total primary government	<u>\$ 686,691</u>	<u>\$ 285,178</u>	<u>\$ 42,324</u>	<u>\$ 37,685</u>	<u>(243,016)</u>	<u>(78,488)</u>	<u>(321,504)</u>
General receipts:							
Property taxes					119,753	-	119,753
Other local sources					47,918	-	47,918
Bonds and loans					-	178,045	178,045
Grants and contributions not restricted to specific programs					3,645	-	3,645
Unrestricted investment earnings					1,620	3,129	4,749
Total general receipts					<u>172,936</u>	<u>181,174</u>	<u>354,110</u>
Change in net assets					(70,080)	102,686	32,606
Net assets - beginning					<u>258,990</u>	<u>377,327</u>	<u>636,317</u>
Net assets - ending					<u>\$ 188,910</u>	<u>\$ 480,013</u>	<u>\$ 668,923</u>
<u>Assets</u>							
Cash and investments					\$ 116,826	\$ 247,937	\$ 364,763
Restricted assets:							
Cash and investments					72,084	106,367	178,451
Cash and investments with fiscal agent					-	125,709	125,709
Total assets					<u>\$ 188,910</u>	<u>\$ 480,013</u>	<u>\$ 668,923</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 856	\$ -	\$ 856
Highways and streets					43,452	-	43,452
Sanitation					626	-	626
Debt service					-	221,657	221,657
Construction					-	10,419	10,419
Other purposes					27,150	-	27,150
Unrestricted					<u>116,826</u>	<u>247,937</u>	<u>364,763</u>
Total net assets					<u>\$ 188,910</u>	<u>\$ 480,013</u>	<u>\$ 668,923</u>

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

TOWN OF LAFONTAINE  
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	Motor Vehicle Highway	Cumulative Capital Drain	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 73,489	\$ 20,169	\$ 4,470	\$ -	\$ 21,625	\$ 119,753
Licenses and permits	-	-	-	-	110	110
Intergovernmental	47,798	29,619	492	12,127	15,939	105,975
Charges for services	1,079	-	-	-	20,036	21,115
Fines and forfeits	11,682	-	-	-	126	11,808
Other	4,306	208	-	-	-	4,514
<b>Total receipts</b>	<b>138,354</b>	<b>49,996</b>	<b>4,962</b>	<b>12,127</b>	<b>57,836</b>	<b>263,275</b>
<b>Disbursements:</b>						
General government	98,282	-	-	-	-	98,282
Public safety	75,851	-	-	-	30,230	106,081
Highways and streets	-	73,813	-	-	-	73,813
Sanitation	-	-	-	-	17,864	17,864
Economic development	-	-	-	10,000	-	10,000
Culture and recreation	55	-	-	-	-	55
Capital outlay:						
Highways and streets	-	-	20,000	-	7,260	27,260
<b>Total disbursements</b>	<b>174,188</b>	<b>73,813</b>	<b>20,000</b>	<b>10,000</b>	<b>55,354</b>	<b>333,355</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>(35,834)</b>	<b>(23,817)</b>	<b>(15,038)</b>	<b>2,127</b>	<b>2,482</b>	<b>(70,080)</b>
<b>Other financing sources (uses)</b>						
Transfers in	2,226	-	-	-	2,232	4,458
Transfers out	(1,448)	(444)	(87)	-	(2,479)	(4,458)
<b>Total other financing sources (uses)</b>	<b>778</b>	<b>(444)</b>	<b>(87)</b>	<b>-</b>	<b>(247)</b>	<b>-</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(35,056)</b>	<b>(24,261)</b>	<b>(15,125)</b>	<b>2,127</b>	<b>2,235</b>	<b>(70,080)</b>
<b>Cash and investment fund balance - beginning</b>	<b>83,499</b>	<b>49,302</b>	<b>42,275</b>	<b>38,651</b>	<b>45,263</b>	<b>258,990</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 48,443</b>	<b>\$ 25,041</b>	<b>\$ 27,150</b>	<b>\$ 40,778</b>	<b>\$ 47,498</b>	<b>\$ 188,910</b>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 48,443	\$ -	\$ -	\$ 40,778	\$ 27,605	\$ 116,826
Restricted assets:						
Cash and investments	-	25,041	27,150	-	19,893	72,084
<b>Total cash and investment assets - December 31</b>	<b>\$ 48,443</b>	<b>\$ 25,041</b>	<b>\$ 27,150</b>	<b>\$ 40,778</b>	<b>\$ 47,498</b>	<b>\$ 188,910</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 856	\$ 856
Highways and streets	-	25,041	-	-	18,411	43,452
Sanitation	-	-	-	-	626	626
Other purposes	-	-	27,150	-	-	27,150
Unrestricted	48,443	-	-	40,778	27,605	116,826
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 48,443</b>	<b>\$ 25,041</b>	<b>\$ 27,150</b>	<b>\$ 40,778</b>	<b>\$ 47,498</b>	<b>\$ 188,910</b>

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

TOWN OF LAFONTAINE  
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

	Water Utility	Wastewater Utility	Total
Operating receipts:			
Metered receipts	\$ 75,953	\$ 165,897	\$ 241,850
Fire protection receipts	9,101	-	9,101
Penalties	685	-	685
Other water receipts	<u>6,027</u>	<u>-</u>	<u>6,027</u>
Total operating receipts	<u>91,766</u>	<u>165,897</u>	<u>257,663</u>
Operating disbursements:			
Equipment and capital improvements	52,344	93,000	145,344
Repairs and maintenance	12,461	5,673	18,134
Customer accounts	1,176	1,527	2,703
Salaries and wages	23,250	26,442	49,692
Employee pensions and benefits	2,902	3,345	6,247
Purchased power	4,847	19,939	24,786
Chemicals	771	2,560	3,331
Material and supplies	2,841	2,327	5,168
Contractual services	3,055	9,017	12,072
Transportation disbursements	1,113	1,117	2,230
Insurance disbursements	6,026	4,648	10,674
Miscellaneous disbursements	<u>13,967</u>	<u>5,026</u>	<u>18,993</u>
Total operating disbursements	<u>124,753</u>	<u>174,621</u>	<u>299,374</u>
Deficiency of operating receipts over operating disbursements	<u>(32,987)</u>	<u>(8,724)</u>	<u>(41,711)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	-	128,045	128,045
Bond anticipation note proceeds	-	25,000	25,000
Loan proceeds	25,000	17,185	42,185
Interest and investment receipts	1,058	2,071	3,129
Debt service of principal	(10,801)	(21,822)	(32,623)
Interest and investment disbursement	(1,697)	(15,189)	(16,886)
Miscellaneous disbursements	<u>-</u>	<u>(4,453)</u>	<u>(4,453)</u>
Total nonoperating receipts (disbursements)	<u>13,560</u>	<u>130,837</u>	<u>144,397</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(19,427)	122,113	102,686
Cash and investment fund balance - beginning	<u>129,383</u>	<u>247,944</u>	<u>377,327</u>
Cash and investment fund balance - ending	<u>\$ 109,956</u>	<u>\$ 370,057</u>	<u>\$ 480,013</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 90,882	\$ 157,055	\$ 247,937
Restricted assets:			
Cash and investments	19,074	87,293	106,367
Cash and investments with fiscal agent	<u>-</u>	<u>125,709</u>	<u>125,709</u>
Total cash and investment assets - December 31	<u>\$ 109,956</u>	<u>\$ 370,057</u>	<u>\$ 480,013</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 19,074	\$ 202,583	\$ 221,657
Construction	-	10,419	10,419
Unrestricted	<u>90,882</u>	<u>157,055</u>	<u>247,937</u>
Total cash and investment fund balance - December 31	<u>\$ 109,956</u>	<u>\$ 370,057</u>	<u>\$ 480,013</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 158,389
Deductions:	
Agency fund deductions	158,389
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 103,880	\$ 15	\$ -	\$ 5,799	\$ (98,066)	\$ -	\$ (98,066)
Public safety	105,810	12,878	13,854	600	(78,478)	-	(78,478)
Highways and streets	49,947	-	35,380	11,052	(3,515)	-	(3,515)
Sanitation	22,656	20,273	-	-	(2,383)	-	(2,383)
Economic development	-	-	-	12,989	12,989	-	12,989
Culture and recreation	607	-	-	-	(607)	-	(607)
Total governmental activities	<u>282,900</u>	<u>33,166</u>	<u>49,234</u>	<u>30,440</u>	<u>(170,060)</u>	<u>-</u>	<u>(170,060)</u>
Business-type activities:							
Water	98,785	85,935	9,330	-	-	(3,520)	(3,520)
Wastewater	643,588	201,242	-	500,000	-	57,654	57,654
Total business-type activities	<u>742,373</u>	<u>287,177</u>	<u>9,330</u>	<u>500,000</u>	<u>-</u>	<u>54,134</u>	<u>54,134</u>
Total primary government	<u>\$ 1,025,273</u>	<u>\$ 320,343</u>	<u>\$ 58,564</u>	<u>\$ 530,440</u>	<u>(170,060)</u>	<u>54,134</u>	<u>(115,926)</u>
General receipts:							
Property taxes					143,927	-	143,927
Other local sources					93,978	-	93,978
Grants and contributions not restricted to specific programs					3,307	-	3,307
Unrestricted investment earnings					2,469	8,913	11,382
Total general receipts					<u>243,681</u>	<u>8,913</u>	<u>252,594</u>
Change in net assets					73,621	63,047	136,668
Net assets - beginning					188,910	480,013	668,923
Net assets - ending					<u>\$ 262,531</u>	<u>\$ 543,060</u>	<u>\$ 805,591</u>
<u>Assets</u>							
Cash and investments					\$ 163,630	\$ 282,156	\$ 445,786
Restricted assets:							
Cash and investments					98,901	130,933	229,834
Cash and investments with fiscal agent					-	129,971	129,971
Total assets					<u>\$ 262,531</u>	<u>\$ 543,060</u>	<u>\$ 805,591</u>
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 7,903	\$ -	\$ 7,903
Highways and streets					62,062	-	62,062
Debt service					-	260,904	260,904
Other purposes					28,936	-	28,936
Unrestricted					163,630	282,156	445,786
Total net assets					<u>\$ 262,531</u>	<u>\$ 543,060</u>	<u>\$ 805,591</u>

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

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

	General	Motor Vehicle Highway	Cumulative Capital Drain	Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>						
Taxes	\$ 93,691	\$ 16,013	\$ 5,315	\$ -	\$ 28,908	\$ 143,927
Licenses and permits	-	-	-	-	190	190
Intergovernmental	90,571	41,270	2,583	12,989	27,611	175,024
Charges for services	1,467	285	-	-	20,288	22,040
Fines and forfeits	12,688	-	-	-	-	12,688
Other	2,652	-	-	-	-	2,652
<b>Total receipts</b>	<b>201,069</b>	<b>57,568</b>	<b>7,898</b>	<b>12,989</b>	<b>76,997</b>	<b>356,521</b>
<b>Disbursements:</b>						
General government	103,880	-	-	-	-	103,880
Public safety	74,955	-	-	-	30,855	105,810
Highways and streets	-	43,835	6,112	-	-	49,947
Sanitation	-	-	-	-	22,656	22,656
Culture and recreation	607	-	-	-	-	607
<b>Total disbursements</b>	<b>179,442</b>	<b>43,835</b>	<b>6,112</b>	<b>-</b>	<b>53,511</b>	<b>282,900</b>
<b>Excess of receipts over disbursements</b>	<b>21,627</b>	<b>13,733</b>	<b>1,786</b>	<b>12,989</b>	<b>23,486</b>	<b>73,621</b>
<b>Other financing sources (uses)</b>						
Transfers in	19,246	-	-	-	-	19,246
Transfers out	-	-	-	-	(19,246)	(19,246)
<b>Total other financing sources (uses)</b>	<b>19,246</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19,246)</b>	<b>-</b>
<b>Excess of receipts and other financing sources over disbursements and other financing uses</b>	<b>40,873</b>	<b>13,733</b>	<b>1,786</b>	<b>12,989</b>	<b>4,240</b>	<b>73,621</b>
<b>Cash and investment fund balance - beginning</b>	<b>48,443</b>	<b>25,041</b>	<b>27,150</b>	<b>40,778</b>	<b>47,498</b>	<b>188,910</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 89,316</b>	<b>\$ 38,774</b>	<b>\$ 28,936</b>	<b>\$ 53,767</b>	<b>\$ 51,738</b>	<b>\$ 262,531</b>
<b><u>Cash and Investment Assets - December 31</u></b>						
Cash and investments	\$ 89,316	\$ -	\$ -	\$ 53,767	\$ 20,547	\$ 163,630
Restricted assets:						
Cash and investments	-	38,774	28,936	-	31,191	98,901
<b>Total cash and investment assets - December 31</b>	<b>\$ 89,316</b>	<b>\$ 38,774</b>	<b>\$ 28,936</b>	<b>\$ 53,767</b>	<b>\$ 51,738</b>	<b>\$ 262,531</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 7,903	\$ 7,903
Highways and streets	-	38,774	-	-	23,288	62,062
Other purposes	-	-	28,936	-	-	28,936
Unrestricted	89,316	-	-	53,767	20,547	163,630
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 89,316</b>	<b>\$ 38,774</b>	<b>\$ 28,936</b>	<b>\$ 53,767</b>	<b>\$ 51,738</b>	<b>\$ 262,531</b>

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

TOWN OF LAFONTAINE  
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 receipts	\$ 74,137	\$ 195,828	\$ 269,965
Fire protection receipts	9,101	-	9,101
Penalties	719	4,443	5,162
Other water receipts	<u>6,308</u>	<u>971</u>	<u>7,279</u>
 Total operating receipts	 <u>90,265</u>	 <u>201,242</u>	 <u>291,507</u>
Operating disbursements:			
Equipment and capital improvements	1,425	476,350	477,775
Repairs and maintenance	16,520	3,709	20,229
Customer accounts	1,216	1,410	2,626
Salaries and wages	23,419	26,265	49,684
Employee pensions and benefits	3,152	3,583	6,735
Purchased power	5,557	23,654	29,211
Chemicals	994	3,158	4,152
Material and supplies	3,449	1,537	4,986
Contractual services	1,150	59,001	60,151
Transportation disbursements	1,034	1,119	2,153
Insurance disbursements	6,469	5,474	11,943
Miscellaneous disbursements	<u>20,647</u>	<u>10,034</u>	<u>30,681</u>
 Total operating disbursements	 <u>85,032</u>	 <u>615,294</u>	 <u>700,326</u>
 Excess (deficiency) of operating receipts over operating disbursements	 <u>5,233</u>	 <u>(414,052)</u>	 <u>(408,819)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	1,414	7,499	8,913
Miscellaneous receipts	5,000	-	5,000
Debt service of principal	(11,432)	(19,432)	(30,864)
Interest and investment disbursement	<u>(2,321)</u>	<u>(8,862)</u>	<u>(11,183)</u>
 Total nonoperating receipts (disbursements)	 <u>(7,339)</u>	 <u>(20,795)</u>	 <u>(28,134)</u>
 Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	 <u>(2,106)</u>	 <u>(434,847)</u>	 <u>(436,953)</u>
Capital contributions	<u>-</u>	<u>500,000</u>	<u>500,000</u>
 Excess (deficiency) of receipts and contributions over disbursements	 <u>(2,106)</u>	 <u>65,153</u>	 <u>63,047</u>
Cash and investment fund balance - beginning	<u>109,956</u>	<u>370,057</u>	<u>480,013</u>
Cash and investment fund balance - ending	<u>\$ 107,850</u>	<u>\$ 435,210</u>	<u>\$ 543,060</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 88,499	\$ 193,657	\$ 282,156
Restricted assets:			
Cash and investments	19,351	111,582	130,933
Cash and investments with fiscal agent	<u>-</u>	<u>129,971</u>	<u>129,971</u>
 Total cash and investment assets - December 31	 <u>\$ 107,850</u>	 <u>\$ 435,210</u>	 <u>\$ 543,060</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 19,351	\$ 241,553	\$ 260,904
Unrestricted	<u>88,499</u>	<u>193,657</u>	<u>282,156</u>
 Total cash and investment fund balance - December 31	 <u>\$ 107,850</u>	 <u>\$ 435,210</u>	 <u>\$ 543,060</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 161,495
Deductions:	
Agency fund deductions	161,495
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

The financial reporting entity is composed of the Town (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 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 motor vehicle highway fund is used to account for state motor vehicle highway distributions and used principally for the construction and maintenance of roads, streets and alleys.

The cumulative capital drain fund is used for repairs and maintenance of street drains.

The economic development income tax fund is used for economic development purposes.

The Town reports the following major proprietary funds:

The water utility fund accounts for the operation of the water distribution system.

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations and collection systems.

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll withholding recipients and serve as a control of accounts for certain 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.

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. 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 LAFONTAINE  
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 LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

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

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund	2006
Trash Fund	\$ <u>1,757</u>

Cash and investment deficits arose primarily from disbursements exceeding receipts due to the underestimate of current requirements; these deficits are to be repaid from future receipts.

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Indiana Code 5-13-8-1 allows a political subdivision of the State of Indiana to deposit public funds in a financial institution only if the financial institution is a depository eligible to receive state funds and has a principal office or branch that qualifies to receive public funds of the political subdivision. The bank balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had the following investments:

Investment Type	Primary Government Market Value
U.S. Treasuries and Securities	\$ <u>109,592</u>

Investment Policies

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

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

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

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments. At December 31, 2006, the Town held investments in U.S. Treasuries and Securities in the amount of \$109,592. Of these investments \$109,592 were held by the counterparty's trust department or agent but not in the Town's name.

Interest Rate Risk

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

Investment Type	Investment Maturities (in Years) Less Than 1
U.S. Treasuries and Securities	\$ 109,592

Credit Risk

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

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Concentration of Credit Risk

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

Foreign Currency Risk

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

B. Interfund Transfers

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

Transfer From	Transfer To	2005	2006
General Fund	Other governmental	\$ 1,448	\$ -
Major Fund	Other governmental	531	-
Other governmental	General Fund	2,226	19,246
Other governmental	Other governmental	<u>253</u>	<u>-</u>
Totals		<u>\$ 4,458</u>	<u>\$ 19,246</u>

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

C. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by the Town. Prior period adjustments represent the reclassification of a fund to more accurately reflect its purpose.

Opinion Unit	Balance as Reported December 31, 2004	Fund Reclassification	Balance as Restated January 1, 2005
Governmental funds	\$ 256,764	\$ 2,226	\$ 258,990
Fiduciary funds	2,226	(2,226)	-

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.

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 January 3, 1987, the Town Council, by way of election ballot referendum, adopted to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on May 4, 1992.

Wastewater Utility

The current rate structure was approved by the Town Council on November 14, 2005.

C. State Revolving Fund Loan

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds of which are set aside to finance the construction of a water tower and improvements to the water distribution system. Funds are loaned to the Town as construction costs are accrued to the maximum allowed. The 2005 loan established a maximum draw of \$1,094,000. As of December 31, 2006, the loan principal balance was \$993,181. Annual debt service requirements for the 2005 loan will not be determined until planned construction projects are completed.

D. Cash and Investments With Fiscal Agent – Wastewater Utility

On October 27, 2005, the Wastewater Utility issued refunding bonds for the purpose of satisfying debt obligations of the 1967 wastewater improvement revenue bonds and the 1987 loan. The 1987 loan was paid in full on the issue date. The final payment on the 1967 wastewater improvement revenue bonds was in dispute, therefore an amount sufficient to meet the remaining debt requirements was deposited into an escrow account with Old National Trust and assigned a trust agent. Bond payments were to be made by the trust agent as they came due. However, the Clerk-Treasurer continued to make the 1967 bond payments from the Wastewater Utility Bond and Interest Fund. The trust agent made no payments from the escrow account except for the paying agent fee. The cash and investment balance of the escrow account at December 31, 2006, was \$129,971.

E. Subsequent Events

On February 12, 2007, the Town entered into a settlement agreement concerning the final payment of the 1967 wastewater improvement revenue bonds. On or about November 3, 2007, the Town shall make a final payment in the amount of \$42,500 in satisfaction of all of the Town's remaining obligations pursuant to the bond.

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 11,409
Interest on net pension obligation	(579)
Adjustment to annual required contribution	659
Annual pension cost	11,489
Contributions made	7,731
Increase in net pension obligation	3,758
Net pension obligation, beginning of year	(7,980)
Net pension obligation, end of year	\$ (4,222)

TOWN OF LAFONTAINE  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
Town	7.5%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 5,843	135%	\$ (7,791)
	06-30-05	7,500	103%	(7,980)
	06-30-06	11,489	67%	(4,222)

TOWN OF LAFONTAINE  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 108,144	\$ 145,258	\$ (37,114)	74%	\$ 102,862	(36%)
07-01-05	114,230	189,166	(74,936)	60%	114,784	(65%)
07-01-06	150,563	154,582	(4,019)	97%	177,125	(2%)

TOWN OF LAFONTAINE  
 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

	Local Road and Street	Law Enforcement Continuing Education	Fire Protection	Trash	Rainy Day
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 21,625	\$ -	\$ -
Licenses and permits	-	110	-	-	-
Intergovernmental	5,098	-	2,383	-	-
Charges for services	-	54	-	19,982	-
Fines and forfeits	-	126	-	-	-
<b>Total receipts</b>	<b>5,098</b>	<b>290</b>	<b>24,008</b>	<b>19,982</b>	<b>-</b>
<b>Disbursements:</b>					
Public safety	-	145	30,085	-	-
Sanitation	-	-	-	17,864	-
Capital outlay:					
Highways and streets	7,260	-	-	-	-
<b>Total disbursements</b>	<b>7,260</b>	<b>145</b>	<b>30,085</b>	<b>17,864</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(2,162)	145	(6,077)	2,118	-
<b>Other financing sources (uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	(178)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(178)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,162)	145	(6,255)	2,118	-
Cash and investment fund balance - beginning	20,573	711	1,190	(1,492)	2,144
Cash and investment fund balance - ending	<u>\$ 18,411</u>	<u>\$ 856</u>	<u>\$ (5,065)</u>	<u>\$ 626</u>	<u>\$ 2,144</u>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ -	\$ -	\$ (5,065)	\$ -	\$ 2,144
Restricted assets:					
Cash and investments	18,411	856	-	626	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 18,411</u>	<u>\$ 856</u>	<u>\$ (5,065)</u>	<u>\$ 626</u>	<u>\$ 2,144</u>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Public safety	\$ -	\$ 856	\$ -	\$ -	\$ -
Highways and streets	18,411	-	-	-	-
Sanitation	-	-	-	626	-
Unrestricted	-	-	(5,065)	-	2,144
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 18,411</u>	<u>\$ 856</u>	<u>\$ (5,065)</u>	<u>\$ 626</u>	<u>\$ 2,144</u>

TOWN OF LAFONTAINE  
 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  
 (Continued)

	Riverboat	Unsafe Building	Levy Excess	Cumulative Capital Improvement	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 21,625
Licenses and permits	-	-	-	-	110
Intergovernmental	5,675	-	-	2,783	15,939
Charges for services	-	-	-	-	20,036
Fines and forfeits	-	-	-	-	126
<b>Total receipts</b>	<b>5,675</b>	<b>-</b>	<b>-</b>	<b>2,783</b>	<b>57,836</b>
<b>Disbursements:</b>					
Public safety	-	-	-	-	30,230
Sanitation	-	-	-	-	17,864
Capital outlay:					
Highways and streets	-	-	-	-	7,260
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>55,354</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>5,675</b>	<b>-</b>	<b>-</b>	<b>2,783</b>	<b>2,482</b>
<b>Other financing sources (uses)</b>					
Transfers in	-	-	2,232	-	2,232
Transfers out	-	(75)	(2,226)	-	(2,479)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(75)</b>	<b>6</b>	<b>-</b>	<b>(247)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>5,675</b>	<b>(75)</b>	<b>6</b>	<b>2,783</b>	<b>2,235</b>
<b>Cash and investment fund balance - beginning</b>	<b>5,675</b>	<b>7,089</b>	<b>2,226</b>	<b>7,147</b>	<b>45,263</b>
<b>Cash and investment fund balance - ending</b>	<b>\$ 11,350</b>	<b>\$ 7,014</b>	<b>\$ 2,232</b>	<b>\$ 9,930</b>	<b>\$ 47,498</b>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ 11,350	\$ 7,014	\$ 2,232	\$ 9,930	\$ 27,605
Restricted assets:					
Cash and investments	-	-	-	-	19,893
<b>Total cash and investment assets - December 31</b>	<b>\$ 11,350</b>	<b>\$ 7,014</b>	<b>\$ 2,232</b>	<b>\$ 9,930</b>	<b>\$ 47,498</b>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 856
Highways and streets	-	-	-	-	18,411
Sanitation	-	-	-	-	626
Unrestricted	11,350	7,014	2,232	9,930	27,605
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 11,350</b>	<b>\$ 7,014</b>	<b>\$ 2,232</b>	<b>\$ 9,930</b>	<b>\$ 47,498</b>

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

	Local Road and Street	Law Enforcement Continuing Education	Fire Protection	Trash	Rainy Day
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ 28,908	\$ -	\$ -
Licenses and permits	-	190	-	-	-
Intergovernmental	4,877	-	13,854	-	-
Charges for services	-	15	-	20,273	-
<b>Total receipts</b>	<u>4,877</u>	<u>205</u>	<u>42,762</u>	<u>20,273</u>	<u>-</u>
<b>Disbursements:</b>					
Public safety	-	-	30,855	-	-
Sanitation	-	-	-	22,656	-
<b>Total disbursements</b>	<u>-</u>	<u>-</u>	<u>30,855</u>	<u>22,656</u>	<u>-</u>
<b>Excess (deficiency) of receipts over disbursements</b>	<u>4,877</u>	<u>205</u>	<u>11,907</u>	<u>(2,383)</u>	<u>-</u>
<b>Other financing uses</b>					
Transfers out	-	-	-	-	-
<b>Total other financing uses</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<u>4,877</u>	<u>205</u>	<u>11,907</u>	<u>(2,383)</u>	<u>-</u>
Cash and investment fund balance - beginning	<u>18,411</u>	<u>856</u>	<u>(5,065)</u>	<u>626</u>	<u>2,144</u>
<b>Cash and investment fund balance - ending</b>	<u>\$ 23,288</u>	<u>\$ 1,061</u>	<u>\$ 6,842</u>	<u>\$ (1,757)</u>	<u>\$ 2,144</u>
<b><u>Cash and Investment Assets - December 31</u></b>					
Cash and investments	\$ -	\$ -	\$ -	\$ (1,757)	\$ 2,144
Restricted assets:					
Cash and investments	<u>23,288</u>	<u>1,061</u>	<u>6,842</u>	<u>-</u>	<u>-</u>
<b>Total cash and investment assets - December 31</b>	<u>\$ 23,288</u>	<u>\$ 1,061</u>	<u>\$ 6,842</u>	<u>\$ (1,757)</u>	<u>\$ 2,144</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>					
Restricted for:					
Public safety	\$ -	\$ 1,061	\$ 6,842	\$ -	\$ -
Highways and streets	23,288	-	-	-	-
Unrestricted	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,757)</u>	<u>2,144</u>
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 23,288</u>	<u>\$ 1,061</u>	<u>\$ 6,842</u>	<u>\$ (1,757)</u>	<u>\$ 2,144</u>

TOWN OF LAFONTAINE  
 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)

	Riverboat	Unsafe Building	Levy Excess	Cumulative Capital Improvement	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 28,908
Licenses and permits	-	-	-	-	190
Intergovernmental	5,664	-	-	3,216	27,611
Charges for services	-	-	-	-	20,288
<b>Total receipts</b>	<b>5,664</b>	<b>-</b>	<b>-</b>	<b>3,216</b>	<b>76,997</b>
<b>Disbursements:</b>					
Public safety	-	-	-	-	30,855
Sanitation	-	-	-	-	22,656
<b>Total disbursements</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>53,511</b>
<b>Excess (deficiency) of receipts over disbursements</b>	<b>5,664</b>	<b>-</b>	<b>-</b>	<b>3,216</b>	<b>23,486</b>
<b>Other financing uses</b>					
Transfers out	(17,014)	-	(2,232)	-	(19,246)
<b>Total other financing uses</b>	<b>(17,014)</b>	<b>-</b>	<b>(2,232)</b>	<b>-</b>	<b>(19,246)</b>
<b>Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>(11,350)</b>	<b>-</b>	<b>(2,232)</b>	<b>3,216</b>	<b>4,240</b>
Cash and investment fund balance - beginning	11,350	7,014	2,232	9,930	47,498
<b>Cash and investment fund balance - ending</b>	<b>\$ -</b>	<b>\$ 7,014</b>	<b>\$ -</b>	<b>\$ 13,146</b>	<b>\$ 51,738</b>
<b>Cash and Investment Assets - December 31</b>					
Cash and investments	\$ -	\$ 7,014	\$ -	\$ 13,146	\$ 20,547
Restricted assets:					
Cash and investments	-	-	-	-	31,191
<b>Total cash and investment assets - December 31</b>	<b>\$ -</b>	<b>\$ 7,014</b>	<b>\$ -</b>	<b>\$ 13,146</b>	<b>\$ 51,738</b>
<b>Cash and Investment Fund Balance - December 31</b>					
Restricted for:					
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 7,903
Highways and streets	-	-	-	-	23,288
Unrestricted	-	7,014	-	13,146	20,547
<b>Total cash and investment fund balance - December 31</b>	<b>\$ -</b>	<b>\$ 7,014</b>	<b>\$ -</b>	<b>\$ 13,146</b>	<b>\$ 51,738</b>

TOWN OF LAFONTAINE  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

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 future years will be reported. Retroactive reporting of general infrastructure assets is not required.

	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 12,001
Infrastructure	25,088
Buildings	49,000
Improvements other than buildings	2,010
Machinery and equipment	<u>206,297</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 294,396</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 2,102
Buildings	16,345
Improvements other than buildings	561,663
Machinery and equipment	<u>19,370</u>
 Total Water Utility capital assets	 <u>599,480</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	13,926
Buildings	29,550
Improvements other than buildings	2,250,995
Machinery and equipment	<u>31,529</u>
 Total Wastewater Utility capital assets	 <u>2,326,000</u>
 Total business-type activities capital assets	 <u>\$ 2,925,480</u>

TOWN OF LAFONTAINE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Capital lease:		
Police car	\$ 7,397	\$ 7,397
 Total governmental activities long-term debt	<u>\$ 7,397</u>	<u>\$ 7,397</u>
 Business-type Activities:		
Water Utility		
Loan payable:		
Water line extension	\$ 47,440	\$ 11,926
 Total Water Utility	<u>47,440</u>	<u>11,926</u>
 Wastewater Utility		
Loan payable:		
State Revolving Fund	993,181	17,000
Revenue bonds:		
1967 Wastewater improvement revenue bonds	102,885	102,885
2005 Refunding revenue bonds	280,000	21,000
 Total Wastewater Utility	<u>1,376,066</u>	<u>140,885</u>
 Total business-type activities long-term debt	<u>\$ 1,423,506</u>	<u>\$ 152,811</u>

TOWN OF LAFONTAINE  
AUDIT RESULTS AND COMMENTS

OVERDRAWN CASH BALANCES

The cash balance of the Trash Fund was overdrawn at December 31, 2006, in the amount of \$1,757.

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

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. Approximately 90% of the Town's accounts receivable balances are inactive accounts ninety days and older. A similar comment also appeared in prior Report B25936.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
  - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

ORDINANCES AND RESOLUTIONS

The Water and Wastewater Utilities have ordinances which establish monthly charges based on water consumption with minimum charges based on meter size. However, the Utilities did not comply with these ordinances. During a review of utility billings and customer histories, it was noted that nine customers were continuously billed minimum water and wastewater charges. Two of these customers do not have meters and

TOWN OF LAFONTAINE  
AUDIT RESULTS AND COMMENTS  
(Continued)

seven of the customers have meters, but meter readings were not obtained. In addition, six accounts were billed on December 1, 2006, for consumption that did not agree with the meter readings obtained through the touch read meter reading system.

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)

LOST WATER

During 2005 and 2006, the Water Utility reported 66,305,000 gallons of treated water pumped out of the water plant; however, only 47,870,797 gallons were billed to customers. Records were not maintained for water extracted from the Town's hydrants by the Fire Department or the Town for flushing lines and other maintenance purposes. Therefore, 28% of treated water pumped from the water plant was considered unaccountable. A similar comment also appeared in prior Report B25936.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

UTILITY RECEIPTS TAX

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the audit period.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to Indiana Code 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF LAFONTAINE  
AUDIT RESULTS AND COMMENTS  
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$135 were paid to the Indiana Department of Revenue on November 15, 2005. A similar comment also appeared in prior Report B25936.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC WORKS PROJECT

In 2005, the Town contracted with a vendor for the paving of roads and streets. The total amount paid to the vendor was \$30,000. There was no evidence presented for audit that sealed bids were requested or received. A similar comment also appeared in prior Report B25936.

Indiana Code 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; (B) a county containing a consolidated city or second class city; or (C) a regional water or sewage district established under IC 13-26; (2) at least fifty thousand dollars (\$50,000) in: (A) a third class city or town with a population of more than five thousand (5,000), or (B) a county containing a third class city or town with a population of more than five thousand (5,000); or (3) at least twenty-five thousand dollars (\$25,000) in a political subdivision or an agency not described in subdivision (1) or (2)."

Indiana Code 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed. . . ."

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SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



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

TO: THE OFFICIALS OF THE TOWN OF LAFONTAINE, WABASH COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of LaFontaine (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 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

June 19, 2007

TOWN OF LAFONTAINE  
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 HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program Community Focus Fund	14.228	CF-05-113	\$ 21,520	\$ 478,480
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Direct Grant Bulletproof Vest Partnership Program	16.607		-	600
<u>U.S. OF ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Clean Water State Revolving Funds	66.458	WW18241501	13,880	369,545
Total federal awards expended			<u>\$ 35,400</u>	<u>\$ 848,625</u>

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

TOWN OF LAFONTAINE  
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of LaFontaine (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 LAFONTAINE  
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
66.458	Capitalization Grants for Clean Water State Revolving Funds

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LAFONTAINE  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LAFONTAINE  
EXIT CONFERENCE

The contents of this report were discussed on June 19, 2007, with Linda Harris, Clerk-Treasurer.