

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

AUDIT REPORT

OF

TOWN OF LAPEL

MADISON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/19/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Thomas G. Tudor	01-01-04 to 12-31-07
President of the Town Council	Lynn Wainscott Gary Shuck	01-01-05 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Shirley Bond Jeremiah Martin	01-01-05 to 04-10-06 04-11-06 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 LAPEL, MADISON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lapel (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. The basis of accounting noted above is a different basis than that used in the prior year for the enterprise funds.

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 August 20, 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.

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

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

The Schedule of Funding Progress and Budgetary Comparison Schedules, as listed in the Table of Contents, are not required parts of the basic financial statements but are 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 the Budgetary Comparison Schedules for the year ended December 31, 2005, that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

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

STATE BOARD OF ACCOUNTS

August 20, 2007



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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lapel (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated August 20, 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

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

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

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

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

Compliance and Other Matters

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

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

STATE BOARD OF ACCOUNTS

August 20, 2007

TOWN OF LAPEL
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	Totals
Primary government:							
Governmental activities:							
General government	\$ 393,756	\$ 124,801	\$ 23,392	\$ -	\$ (245,563)	\$ -	\$ (245,563)
Public safety	389,413	48,462	4,900	-	(336,051)	-	(336,051)
Highways and streets	82,778	-	76,700	-	(6,078)	-	(6,078)
Culture and recreation	16,034	-	-	-	(16,034)	-	(16,034)
Total governmental activities	<u>881,981</u>	<u>173,263</u>	<u>104,992</u>	<u>-</u>	<u>(603,726)</u>	<u>-</u>	<u>(603,726)</u>
Business-type activities:							
Water	363,811	337,422	-	-	-	(26,389)	(26,389)
Wastewater	2,097,756	529,018	-	783,280	-	(785,458)	(785,458)
Gas	1,146,975	920,529	-	-	-	(226,446)	(226,446)
Total business-type activities	<u>3,608,542</u>	<u>1,786,969</u>	<u>-</u>	<u>783,280</u>	<u>-</u>	<u>(1,038,293)</u>	<u>(1,038,293)</u>
Total primary government	<u>\$ 4,490,523</u>	<u>\$ 1,960,232</u>	<u>\$ 104,992</u>	<u>\$ 783,280</u>	<u>(603,726)</u>	<u>(1,038,293)</u>	<u>(1,642,019)</u>
General receipts:							
Property taxes					223,226	-	223,226
Other local sources					158,359	13,021	171,380
Bond proceeds					-	780,300	780,300
Interfund loans					214,443	224,000	438,443
Unrestricted investment earnings					7,871	13,955	21,826
Transfers					11,382	(11,382)	-
Total general receipts and transfers					<u>615,281</u>	<u>1,019,894</u>	<u>1,635,175</u>
Change in net assets					11,555	(18,399)	(6,844)
Net assets - beginning					<u>268,442</u>	<u>1,176,655</u>	<u>1,445,097</u>
Net assets - ending					<u>\$ 279,997</u>	<u>\$ 1,158,256</u>	<u>\$ 1,438,253</u>
<u>Assets</u>							
Cash and investments					\$ 279,997	\$ 649,609	\$ 929,606
Restricted assets:							
Cash and investments					-	508,647	508,647
Total assets					<u>\$ 279,997</u>	<u>\$ 1,158,256</u>	<u>\$ 1,438,253</u>
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 89,787	\$ 89,787
Other purposes					-	418,860	418,860
Unrestricted					<u>279,997</u>	<u>649,609</u>	<u>929,606</u>
Total net assets					<u>\$ 279,997</u>	<u>\$ 1,158,256</u>	<u>\$ 1,438,253</u>

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

TOWN OF LAPEL
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	Cumulative Building and Fire Fighting Equipment	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 206,722	\$ 6,458	\$ 10,046	\$ 223,226
Licenses and permits	10,703	-	230	10,933
Intergovernmental	114,303	1,748	97,746	213,797
Charges for services	152,880	-	7,788	160,668
Fines and forfeits	1,971	-	393	2,364
Other	32,207	1,150	23,366	56,723
Total receipts	518,786	9,356	139,569	667,711
Disbursements:				
General government	161,242	-	18,071	179,313
Public safety	374,747	-	10,940	385,687
Highways and streets	-	-	82,778	82,778
Culture and recreation	-	-	16,034	16,034
Total disbursements	535,989	-	127,823	663,812
Excess (deficiency) of receipts over disbursements	(17,203)	9,356	11,746	3,899
Other financing sources (uses):				
Interfund loans	(3,726)	-	-	(3,726)
Transfers in	12,582	-	4,750	17,332
Transfers out	(4,750)	-	(1,200)	(5,950)
Total other financing sources (uses)	4,106	-	3,550	7,656
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(13,097)	9,356	15,296	11,555
Cash and investment fund balance - beginning	21,939	67,303	179,200	268,442
Cash and investment fund balance - ending	<u>\$ 8,842</u>	<u>\$ 76,659</u>	<u>\$ 194,496</u>	<u>\$ 279,997</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 8,842</u>	<u>\$ 76,659</u>	<u>\$ 194,496</u>	<u>\$ 279,997</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 8,842</u>	<u>\$ 76,659</u>	<u>\$ 194,496</u>	<u>\$ 279,997</u>

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

TOWN OF LAPEL
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	Gas Utility	Totals
Operating receipts:				
Metered water receipts:				
Residential	\$ 288,087	\$ -	\$ -	\$ 288,087
Fire protection receipts	15,718	-	-	15,718
Other water receipts	33,939	-	-	33,939
Measured revenue:				
Residential	-	463,409	906,208	1,369,617
Other	-	77,160	15,471	92,631
	<u>337,744</u>	<u>540,569</u>	<u>921,679</u>	<u>1,799,992</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	73,182	64,268	61,868	199,318
Employee pensions and benefits	8,609	8,083	7,837	24,529
Production and supply	-	-	583,851	583,851
Administration and general	-	-	57,855	57,855
Purchased power	15,651	33,836	19,985	69,472
Material and supplies	45,577	59,304	42,766	147,647
Contractual services	83,096	1,767,847	107,310	1,958,253
Insurance disbursements	19,823	19,384	29,590	68,797
Miscellaneous disbursements	34,312	17,532	21,469	73,313
	<u>280,250</u>	<u>1,970,254</u>	<u>932,531</u>	<u>3,183,035</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>57,494</u>	<u>(1,429,685)</u>	<u>(10,852)</u>	<u>(1,383,043)</u>
Nonoperating receipts (disbursements):				
Bond proceeds	-	780,300	-	780,300
Grant proceeds	-	783,280	-	783,280
Interest and investment receipts	5,726	3,691	4,537	13,954
Interfund loans	(2,916)	(2,916)	9,557	3,725
Debt service of principal	(19,453)	(35,500)	-	(54,953)
Interest and investment disbursement	(61,193)	(89,087)	-	(150,280)
	<u>(77,836)</u>	<u>1,439,768</u>	<u>14,094</u>	<u>1,376,026</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(20,342)	10,083	3,242	(7,017)
Transfers in	-	2,000	10,329	12,329
Transfers out	(2,000)	(10,329)	(11,382)	(23,711)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	(22,342)	1,754	2,189	(18,399)
Cash and investment fund balance - beginning	<u>415,585</u>	<u>415,683</u>	<u>345,387</u>	<u>1,176,655</u>
Cash and investment fund balance - ending	<u>\$ 393,243</u>	<u>\$ 417,437</u>	<u>\$ 347,576</u>	<u>\$ 1,158,256</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 143,721	\$ 263,947	\$ 241,941	\$ 649,609
Restricted assets:				
Cash and investments	<u>249,522</u>	<u>153,490</u>	<u>105,635</u>	<u>508,647</u>
Total cash and investment assets - December 31	<u>\$ 393,243</u>	<u>\$ 417,437</u>	<u>\$ 347,576</u>	<u>\$ 1,158,256</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 34,885	\$ 54,902	\$ -	\$ 89,787
Other purposes	214,637	98,588	105,635	418,860
Unrestricted	<u>143,721</u>	<u>263,947</u>	<u>241,941</u>	<u>649,609</u>
Total cash and investment fund balance - December 31	<u>\$ 393,243</u>	<u>\$ 417,437</u>	<u>\$ 347,576</u>	<u>\$ 1,158,256</u>

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

TOWN OF LAPEL
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	\$ 482,055
Deductions:	
Agency fund deductions	480,176
Excess of total additions over total deductions	1,879
Cash and investment fund balance - beginning	6,237
Cash and investment fund balance - ending	\$ 8,116

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

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

<u>Functions/Programs</u>	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	<u>Disbursements</u>	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Totals
Primary government:						
Governmental activities:						
General government	\$ 323,924	\$ 130,833	\$ 174,279	\$ (18,812)	\$ -	\$ (18,812)
Public safety	415,935	43,661	-	(372,274)	-	(372,274)
Highways and streets	107,785	-	87,959	(19,826)	-	(19,826)
Economic development	150,000	-	-	(150,000)	-	(150,000)
Culture and recreation	14,621	-	-	(14,621)	-	(14,621)
Total governmental activities	<u>1,012,265</u>	<u>174,494</u>	<u>262,238</u>	<u>(575,533)</u>	<u>-</u>	<u>(575,533)</u>
Business-type activities:						
Water	386,769	319,929	38,000	-	(28,840)	(28,840)
Wastewater	1,471,142	591,711	-	-	(879,431)	(879,431)
Gas	1,170,378	929,867	-	-	(240,511)	(240,511)
Total business-type activities	<u>3,028,289</u>	<u>1,841,507</u>	<u>38,000</u>	<u>-</u>	<u>(1,148,782)</u>	<u>(1,148,782)</u>
Total primary government	<u>\$ 4,040,554</u>	<u>\$ 2,016,001</u>	<u>\$ 300,238</u>	<u>(575,533)</u>	<u>(1,148,782)</u>	<u>(1,724,315)</u>
General receipts:						
Property taxes				230,728	-	230,728
Other local sources				191,746	47,751	239,497
Interfund loans				205,161	197,005	402,166
Bond proceeds				-	1,081,000	1,081,000
Unrestricted investment earnings				8,097	27,045	35,142
Transfers				23,671	(23,671)	-
Total general receipts and transfers				<u>659,403</u>	<u>1,329,130</u>	<u>1,988,533</u>
Change in net assets				83,870	180,348	264,218
Net assets - beginning				<u>279,997</u>	<u>1,158,256</u>	<u>1,438,253</u>
Net assets - ending				<u>\$ 363,867</u>	<u>\$ 1,338,604</u>	<u>\$ 1,702,471</u>
<u>Assets</u>						
Cash and investments				\$ 363,867	\$ 846,994	\$ 1,210,861
Restricted assets:						
Cash and investments				-	491,610	491,610
Total assets				<u>\$ 363,867</u>	<u>\$ 1,338,604</u>	<u>\$ 1,702,471</u>
<u>Net Assets</u>						
Restricted for:						
Debt service				\$ -	\$ 125,318	\$ 125,318
Other purposes				-	366,292	366,292
Unrestricted				<u>363,867</u>	<u>846,994</u>	<u>1,210,861</u>
Total net assets				<u>\$ 363,867</u>	<u>\$ 1,338,604</u>	<u>\$ 1,702,471</u>

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

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

	General	Cumulative Building and Fire Fighting Equipment	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 214,403	\$ 6,356	\$ 9,969	\$ 230,728
Licenses and permits	7,304	-	-	7,304
Intergovernmental	130,481	1,442	271,848	403,771
Charges for services	155,523	-	10,718	166,241
Fines and forfeits	874	-	-	874
Other	14,012	2,377	41,996	58,385
	<u>522,597</u>	<u>10,175</u>	<u>334,531</u>	<u>867,303</u>
Total receipts				
Disbursements:				
General government	137,663	-	-	137,663
Public safety	387,211	-	23,812	411,023
Highways and streets	-	-	107,785	107,785
Economic development	-	-	150,000	150,000
Culture and recreation	-	-	14,621	14,621
	<u>524,874</u>	<u>-</u>	<u>296,218</u>	<u>821,092</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(2,277)</u>	<u>10,175</u>	<u>38,313</u>	<u>46,211</u>
Other financing sources (uses):				
Interfund loans	13,988	-	-	13,988
Transfers in	25,091	255	396	25,742
Transfers out	(651)	(360)	(1,060)	(2,071)
	<u>38,428</u>	<u>(105)</u>	<u>(664)</u>	<u>37,659</u>
Total other financing sources (uses)				
Excess of receipts and other financing sources over disbursements and other financing uses	36,151	10,070	37,649	83,870
Cash and investment fund balance - beginning	<u>8,842</u>	<u>76,659</u>	<u>194,496</u>	<u>279,997</u>
Cash and investment fund balance - ending	<u>\$ 44,993</u>	<u>\$ 86,729</u>	<u>\$ 232,145</u>	<u>\$ 363,867</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	<u>\$ 44,993</u>	<u>\$ 86,729</u>	<u>\$ 232,145</u>	<u>\$ 363,867</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Unrestricted	<u>\$ 44,993</u>	<u>\$ 86,729</u>	<u>\$ 232,145</u>	<u>\$ 363,867</u>

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

TOWN OF LAPEL
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	Gas Utility	Totals
Operating receipts:				
Metered water receipts:				
Residential	\$ 272,120	\$ -	\$ -	\$ 272,120
Fire protection receipts	18,195	-	-	18,195
Other water receipts	81,018	-	-	81,018
Measured revenue:				
Residential	-	565,159	912,673	1,477,832
Other	-	39,300	38,795	78,095
	<u>371,333</u>	<u>604,459</u>	<u>951,468</u>	<u>1,927,260</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	80,855	91,591	78,283	250,729
Employee pensions and benefits	2,534	2,725	9,368	14,627
Production and supply	-	-	592,914	592,914
Administration and general	-	-	87,914	87,914
Purchased power	14,074	32,055	2,183	48,312
Material and supplies	42,179	58,233	38,531	138,943
Contractual services	83,263	1,090,810	100,496	1,274,569
Insurance disbursements	19,061	21,270	28,906	69,237
Miscellaneous disbursements	60,908	36,671	26,623	124,202
	<u>302,874</u>	<u>1,333,355</u>	<u>965,218</u>	<u>2,601,447</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>68,459</u>	<u>(728,896)</u>	<u>(13,750)</u>	<u>(674,187)</u>
Nonoperating receipts (disbursements):				
Bond proceeds	-	1,081,000	-	1,081,000
Interest and investment receipts	8,064	10,057	8,924	27,045
Interfund loans	(2,916)	(2,916)	(8,156)	(13,988)
Debt service of principal	(20,546)	(37,500)	-	(58,046)
Interest and investment disbursement	(60,434)	(97,371)	-	(157,805)
	<u>(75,832)</u>	<u>953,270</u>	<u>768</u>	<u>878,206</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	<u>(7,373)</u>	<u>224,374</u>	<u>(12,982)</u>	<u>204,019</u>
Transfers in	20,340	-	-	20,340
Transfers out	-	(20,340)	(23,671)	(44,011)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	12,967	204,034	(36,653)	180,348
Cash and investment fund balance - beginning	<u>393,243</u>	<u>417,437</u>	<u>347,576</u>	<u>1,158,256</u>
Cash and investment fund balance - ending	<u>\$ 406,210</u>	<u>\$ 621,471</u>	<u>\$ 310,923</u>	<u>\$ 1,338,604</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 158,113	\$ 465,756	\$ 223,125	\$ 846,994
Restricted assets:				
Cash and investments	<u>248,097</u>	<u>155,715</u>	<u>87,798</u>	<u>491,610</u>
Total cash and investment assets - December 31	<u>\$ 406,210</u>	<u>\$ 621,471</u>	<u>\$ 310,923</u>	<u>\$ 1,338,604</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 62,685	\$ 62,633	\$ -	\$ 125,318
Other purposes	185,412	93,082	87,798	366,292
Unrestricted	<u>158,113</u>	<u>465,756</u>	<u>223,125</u>	<u>846,994</u>
Total cash and investment fund balance - December 31	<u>\$ 406,210</u>	<u>\$ 621,471</u>	<u>\$ 310,923</u>	<u>\$ 1,338,604</u>

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

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

	<u>Agency Fund</u>
Additions:	
Agency fund additions	<u>\$ 514,663</u>
Deductions:	
Agency fund deductions	<u>516,255</u>
Deficiency of total additions over total deductions	(1,592)
Cash and investment fund balance - beginning	<u>8,116</u>
Cash and investment fund balance - ending	<u><u>\$ 6,524</u></u>

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

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The cumulative building and firefighting equipment fund is used to account for taxes levied to be used for the purchase of new fire trucks and firefighting equipment.

The Town reports the following major proprietary funds:

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

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

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

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Additionally, the Town reports the following fund type:

The agency fund accounts for assets held by the Town as an agent for payroll related withholdings and serves as a control of accounts for certain cash transactions during the time they are a liability to the Town, that is, from the time they are disbursed by the government or withheld from the employee's wages until they are transmitted to the proper payee for the purpose withheld.

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

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide Statement of Activities and Net Assets – Cash and Investment Basis, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified.

Fund Financial Statements

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

Government-Wide Financial Statements

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

1. 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.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

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.

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

III. Detailed Notes on All Funds

A. Deposits

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

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>
General Fund	Cumulative Building and Fire Fighting Equipment	\$ -	\$ 255
	Other governmental	4,750	396
Cumulative Building and Fire Fighting Equipment	General Fund	-	360
Water Utility	Wastewater Utility	2,000	-
Wastewater Utility	Water Utility	-	20,340
	Gas Utility	10,329	-
Gas Utility	General Fund	11,382	23,671
Other governmental	General Fund	<u>1,200</u>	<u>1,060</u>
Totals		<u>\$ 29,661</u>	<u>\$ 46,082</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.

TOWN OF LAPEL
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 December 17, 1996, the Town Council adopted Ordinance No. 1996-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on May 11, 2000.

Wastewater Utility

The current rate structure was approved by the Town Council on June 16, 2005.

Gas Utility

On December 17, 1996, the Town Council adopted Ordinance No. 1996-8 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Town Council on June 18, 1998.

C. 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

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 26,196
Interest on net pension obligation	662
Adjustment to annual required contribution	(755)
Annual pension cost	26,103
Contributions made	18,888
Increase in net pension obligation	7,215
Net pension obligation, beginning of year	9,136
Net pension obligation, end of year	\$ 16,351
Contribution rates:	
Town	5.75%
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

TOWN OF LAPEL
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
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	\$ 18,578	79%	\$ 7,285
	06-30-05	19,762	91%	9,136
	06-30-06	26,103	96%	16,351

TOWN OF LAPEL
 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	\$ 281,591	\$ 325,044	\$ (43,453)	87%	\$ 336,403	(13%)
07-01-05	295,748	390,360	(94,612)	76%	359,968	(26%)
07-01-06	391,046	421,645	(30,599)	93%	365,933	(8%)

TOWN OF LAPEL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULES
GENERAL FUND AND MAJOR BUDGETED FUNDS
For The Year Ended December 31, 2006

	General Fund				Cumulative Building and Fire Fighting Equipment			
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance With Final Budget Positive (Negative)
	Original	Final			Original	Final		
Revenues:								
Taxes:								
Property	\$ 204,293	\$ 204,293	\$ 214,403	\$ 10,110	\$ 6,500	\$ 6,056	\$ 6,356	\$ 300
Licenses and permits	9,639	13,933	7,304	(6,629)	-	-	-	-
Intergovernmental	6,275	6,275	130,481	124,206	1,376	1,402	1,442	40
Charges for services	41,473	41,473	155,523	114,050	-	-	-	-
Fines and forfeits	750	750	874	124	-	-	-	-
Other	42,639	52,851	14,012	(38,839)	1,005	1,005	2,377	1,372
Total revenues	305,069	319,575	522,597	203,022	8,881	8,463	10,175	1,712
Expenditures:								
Current:								
General government:								
Administration	-	152,469	137,663	14,806	-	-	-	-
Public safety:								
Police	-	255,583	250,635	4,948	-	-	-	-
Fire/Ambulance	-	150,407	136,576	13,831	-	-	-	-
Total public safety	-	405,990	387,211	18,779	-	-	-	-
Total expenditures	-	558,459	524,874	33,585	-	-	-	-
Other financing sources (uses):								
Operating transfers in	-	-	25,091	25,091	-	-	255	255
Operating transfers out	-	-	(651)	(651)	-	-	(360)	(360)
Interfund loans	-	-	13,988	13,988	-	-	-	-
Total other financing sources (uses)	-	-	38,428	38,428	-	-	(105)	(105)
Net change in fund balances	305,069	(238,884)	36,151	275,035	8,881	8,463	10,070	1,607
Fund balances - beginning	8,842	8,842	8,842	-	76,659	76,659	76,659	-
Fund balances - December 31	\$ 313,911	\$ (230,042)	\$ 44,993	\$ 275,035	\$ 85,540	\$ 85,122	\$ 86,729	\$ 1,607

TOWN OF LAPEL
 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	Cumulative Capital Improvement	Law Enforcement Continuing Education	Parks and Recreation	Park Donation	Food and Beverage	Ambulance Replacement	Local Volunteer Fire Department	Totals
Receipts:										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 10,046	\$ -	\$ -	\$ -	\$ -	\$ 10,046
Licenses and permits	-	-	-	230	-	-	-	-	-	230
Intergovernmental	58,057	18,643	5,734	-	15,312	-	-	-	-	97,746
Charges for services	-	-	-	188	-	-	-	7,600	-	7,788
Fines and forfeits	-	-	-	393	-	-	-	-	-	393
Other	5,532	682	480	920	-	-	894	2,077	12,781	23,366
Total receipts	63,589	19,325	6,214	1,731	25,358	-	894	9,677	12,781	139,569
Disbursements:										
General government	-	-	-	-	-	-	18,071	-	-	18,071
Public safety	-	-	-	40	-	-	-	10,900	-	10,940
Highways and streets	59,048	23,730	-	-	-	-	-	-	-	82,778
Culture and recreation	-	-	-	-	16,034	-	-	-	-	16,034
Total disbursements	59,048	23,730	-	40	16,034	-	18,071	10,900	-	127,823
Excess (deficiency) of receipts over disbursements	4,541	(4,405)	6,214	1,691	9,324	-	(17,177)	(1,223)	12,781	11,746
Other financing sources (uses):										
Transfers in	-	-	-	-	-	-	-	4,750	-	4,750
Transfers out	-	-	-	(1,200)	-	-	-	-	-	(1,200)
Total other financing sources (uses)	-	-	-	(1,200)	-	-	-	4,750	-	3,550
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,541	(4,405)	6,214	491	9,324	-	(17,177)	3,527	12,781	15,296
Cash and investment fund balance - beginning	19,510	20,239	29,974	1,767	5,246	20	67,306	35,138	-	179,200
Cash and investment fund balance - ending	<u>\$ 24,051</u>	<u>\$ 15,834</u>	<u>\$ 36,188</u>	<u>\$ 2,258</u>	<u>\$ 14,570</u>	<u>\$ 20</u>	<u>\$ 50,129</u>	<u>\$ 38,665</u>	<u>\$ 12,781</u>	<u>\$ 194,496</u>
<u>Cash and Investment Assets - December 31</u>										
Cash and investments	<u>\$ 24,051</u>	<u>\$ 15,834</u>	<u>\$ 36,188</u>	<u>\$ 2,258</u>	<u>\$ 14,570</u>	<u>\$ 20</u>	<u>\$ 50,129</u>	<u>\$ 38,665</u>	<u>\$ 12,781</u>	<u>\$ 194,496</u>
<u>Cash and Investment Fund Balance - December 31</u>										
Unrestricted	<u>\$ 24,051</u>	<u>\$ 15,834</u>	<u>\$ 36,188</u>	<u>\$ 2,258</u>	<u>\$ 14,570</u>	<u>\$ 20</u>	<u>\$ 50,129</u>	<u>\$ 38,665</u>	<u>\$ 12,781</u>	<u>\$ 194,496</u>

TOWN OF LAPEL
 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	Cumulative Capital Improvement	Law Enforcement Continuing Education	Parks and Recreation	Park Donation	Food and Beverage	Ambulance Replacement	Local Volunteer Fire Department	IHFA Star Development Grant	Totals
Receipts:											
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 9,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,969
Intergovernmental	69,553	18,406	6,627	-	2,262	-	25,000	-	-	150,000	271,848
Charges for services	-	-	-	2,113	-	-	-	8,605	-	-	10,718
Other	4,127	631	1,216	75	199	400	1,532	1,497	32,319	-	41,996
Total receipts	73,680	19,037	7,843	2,188	12,430	400	26,532	10,102	32,319	150,000	334,531
Disbursements:											
Public safety	-	-	-	2,352	-	-	-	-	21,460	-	23,812
Highways and streets	80,433	27,352	-	-	-	-	-	-	-	-	107,785
Culture and recreation	-	-	-	-	14,621	-	-	-	-	-	14,621
Economic development	-	-	-	-	-	-	-	-	-	150,000	150,000
Total disbursements	80,433	27,352	-	2,352	14,621	-	-	-	21,460	150,000	296,218
Excess (deficiency) of receipts over disbursements	(6,753)	(8,315)	7,843	(164)	(2,191)	400	26,532	10,102	10,859	-	38,313
Other financing sources (uses):											
Transfers in	-	-	-	-	396	-	-	-	-	-	396
Transfers out	-	-	-	(500)	(560)	-	-	-	-	-	(1,060)
Total other financing sources (uses)	-	-	-	(500)	(164)	-	-	-	-	-	(664)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(6,753)	(8,315)	7,843	(664)	(2,355)	400	26,532	10,102	10,859	-	37,649
Cash and investment fund balance - beginning	24,051	15,834	36,188	2,258	14,570	20	50,129	38,665	12,781	-	194,496
Cash and investment fund balance - ending	\$ 17,298	\$ 7,519	\$ 44,031	\$ 1,594	\$ 12,215	\$ 420	\$ 76,661	\$ 48,767	\$ 23,640	\$ -	\$ 232,145
<u>Cash and Investment Assets - December 31</u>											
Cash and investments	\$ 17,298	\$ 7,519	\$ 44,031	\$ 1,594	\$ 12,215	\$ 420	\$ 76,661	\$ 48,767	\$ 23,640	\$ -	\$ 232,145
<u>Cash and Investment Fund Balance - December 31</u>											
Unrestricted	\$ 17,298	\$ 7,519	\$ 44,031	\$ 1,594	\$ 12,215	\$ 420	\$ 76,661	\$ 48,767	\$ 23,640	\$ -	\$ 232,145

TOWN OF LAPEL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 For The Year Ended December 31, 2006

The Town has entered into the following debt:

Description of Asset	Beginning Balance 1-1-2006	Issued in 2006	Retired in 2006	Ending Balance 12-31-2006
Business-type Activities:				
Water Utility				
Loans:				
Water Main Loan	\$ 23,246	\$ -	\$ 5,546	\$ 17,700
Revenue bonds:				
Rural Development	1,264,000	-	15,000	1,249,000
Total Water Utility	1,287,246	-	20,546	1,266,700
Wastewater Utility				
Revenue bonds:				
GMAC	255,000	-	18,000	237,000
2000 Rural Development	1,655,000	-	19,000	1,636,000
Fishersburg	55,600	-	500	55,100
2005 Rural Development	695,000	1,081,000	-	1,776,000
Total Wastewater Utility	2,660,600	1,081,000	37,500	3,704,100
Total business-type activities long-term debt				<u>\$ 4,970,800</u>

TOWN OF LAPEL
AUDIT RESULTS AND COMMENTS

PURCHASE OF CHRISTMAS GIFTS FOR FULL-TIME EMPLOYEES

The Town purchased \$25 Applebees' gift cards for full-time Town employees in 2005 and 2006, resulting in total disbursements of \$300 and \$325, respectively. These gifts were not reported as compensation on the employees' W-2s. The salary ordinances did not include the gift cards as a form of compensation. Additionally, all monies used for the purchases of the employee gift cards were expended from the Town's three Utilities, even though some of the employees receiving the gifts were not full-time Utility employees. Finally, no accounting record was made of the receipt of the gift cards by the employees, such as a signature to indicate the gift was received.

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

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

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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

INVESTMENT MATURITY LIMITATIONS

The governmental unit purchased certificates of deposit which have a stated maturity in excess of two years after the date of purchase.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

TOWN OF LAPEL
AUDIT RESULTS AND COMMENTS
(Continued)

SERVICE AND TIME RECORDS

As stated in the two prior reports, employee time, attendance, and service records were presented for audit; however, not all attendance records were signed or initialed by the employees' supervisor.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPTICAL IMAGES OF WARRANTS

As stated in prior Report B25474, the financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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

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

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

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

Compliance

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

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

August 20, 2007

TOWN OF LAPEL
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 System for Rural Communities	10.760			
Wastewater - Loan 01		Loan 01	\$ 85,300	\$ -
Fishersburg Grant		Fishersburg 05	394,640	-
Wastewater - Loan 05		Loan 05	<u>695,000</u>	<u>1,081,000</u>
Total for federal grantor agency			<u>1,174,940</u>	<u>1,081,000</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office Community and Rural Affairs Community Development Block Grants/State's Program	14.228	PL-04-042	-	38,000
Pass-Through Madison County Community Development Block Grants/State's Grants		HD-003-016	388,180	-
Pass-Through Indiana Housing Finance Authority Community Development Block Grants/State's Grants		HD-005-004	<u>11,250</u>	<u>138,750</u>
Total for federal grantor agency			<u>399,430</u>	<u>176,750</u>
Total federal awards expended			<u>\$ 1,574,370</u>	<u>\$ 1,257,750</u>

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

TOWN OF LAPEL
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 Lapel (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 LAPEL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

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

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:
 Material weaknesses identified? no
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal System for Rural Communities
14.228	Community Development Block Grants/State's Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF LAPEL
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

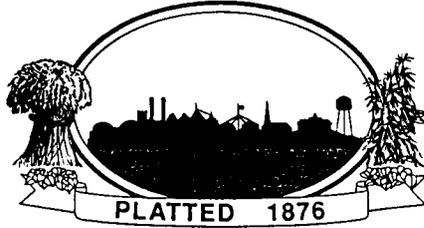
No matters are reportable.

TOWN OF LAPEL
EXIT CONFERENCE

The contents of this report were discussed on August 20, 2007, with Thomas G. Tudor, Clerk-Treasurer; and Dennis Morin, Vice President of the Town Council. The official response has been made a part of this report and may be found on pages 39 through 42.

TOWN OF LAPEL

OFFICE OF TOWN CLERK-TREASURER
MUNICIPAL UTILITIES
GAS, WATER AND SEWER
PHONE 765-534-3157
FAX 765-534-3158



720 S. FORD STREET
P.O. BOX 999
LAPEL, IN 46051-0999

August 23, 2007

RE: Response To Audit Results and Comments
January 1, 2005 to December 31, 2006

1) PURCHASE OF CHRISTMAS GIFTS FOR FULLTIME EMPLOYEES

a) The Town of Lapel will stop this practice.

2) INVESTMENT MATURITY LIMITATIONS

a) The Town of Lapel had not purchased any new certificates of deposit since the last audit with maturity terms exceeding two years. The problem arose when three certificates of deposit were allowed to renew that were three year CD's purchased previously. Since notification of the problem the Town of Lapel renegotiated the three CD's making them two year terms. Attached are copies of the corrected CD's.

3) SERVICE AND TIME RECORDS

a) The payroll department will make sure all employee time sheets are signed by their supervisor. If a timesheet is not signed by the supervisor it will be returned to the supervisor. No payroll check will be issued to the employee until the signed timesheet is received.

4) OPTICAL IMAGES OF WARRANTS

a) When the next audit is conducted please provide a list of warrant numbers to be audited for endorsements. The Town of Lapel will secure, on a timely basis, the endorsement copies from The First Merchants Bank of Central Indiana, NA. The cost of getting endorsement copies on all cashed warrants is too expensive for the Town of Lapel.

A handwritten signature in black ink that reads "Thomas G. Tudor".

Thomas G. Tudor, Clerk/Treasurer

Date
Opened: 08/21/2007

Term: 24 Months

Tax
ID: 35-6001083

Number: 0000031016

REPLACES 14405

Certificate of Deposit

Account Number: 14436
14436

Dollar 24 MONTH CD

Amount of

Deposit: Seven thousand eight hundred forty three and 22/100

\$7,843.22

This Time Deposit is Issued to:

Issuer:

TOWN OF LAPEL
(WATER METER REPLACEMENT)
PO BOX 999
LAPEL IN 46051

COMMUNITY BANK
830 Logan Street
Noblesville, IN 46060

Not Negotiable - Not Transferable - Additional terms are below.

By

D. R. L.

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to one. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 08/21/2009

(See below for renewal information.)

Rate Information: The interest rate for this account is 4.400% with an annual percentage yield of 4.50%. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check).

Interest will be compounded daily

Interest will be credited ~~yearly~~ quarterly TI

by check

The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.

If you close your account before interest is credited, you will not receive the accrued interest.

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is: 1

Minimum Balance Requirement: You must make a minimum deposit to open this account of \$ 1,000.00

You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest accrued credited during a term can be withdrawn: anytime prior to being credited to principal

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: 180 days interest on the amount withdrawn subject to penalty. interest on the amount withdrawn.

Renewal Policy:

Single Maturity: If checked, this account will not automatically renew. Interest will will not accrue after maturity.

Automatic Renewal: If checked, this account will automatically renew on the maturity date. (see page two for terms) Interest will will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

- Individual
- Joint Account - With Survivorship (and not as tenants in common)
- Joint Account - No Survivorship (as tenants in common)
- Trust: Separate Agreement Dated _____
- NOT FOR PROFIT

Revocable Trust or Pay on Death Designation as defined in this agreement (Beneficiaries' names and addresses)

BACKUP WITHHOLDING CERTIFICATIONS

TIN: 35-6001083

Taxpayer I.D. Number - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

Exempt Recipients - I am an exempt recipient under the Internal Revenue Service Regulations.

Backup Withholding - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

A provision for my signature, certifying under penalty of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien), is contained on the first copy of this certificate.

ENDORSEMENTS - SIGN ONLY WHEN YOU REQUEST WITHDRAWAL

X _____
X _____
X _____

Date 08/21/2007
Opened: 08/21/2007

Term: 24 Months

Tax ID: 35-6001083

Number: 0000031015

REPLACES 14403

Certificate of Deposit

Account Number: 14438
14438

Dollar 24 MONTH CD

Amount of

Deposit: Four thousand nine hundred ninety one and 78/100

\$4,991.78

This Time Deposit is Issued to:

Issuer:

14438

TOWN OF LAPEL
(WATER TOWER MAINTENANCE)
PO BOX 999
LAPEL IN 46051

COMMUNITY BANK
830 Logan Street
Noblesville, IN 46060

Not Negotiable - Not Transferable - Additional terms are below.

By DWR

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to one. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 08/21/2009

(See below for renewal information.)

Rate Information: The interest rate for this account is 4.400 % with an annual percentage yield of 4.50 %. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check).

Interest will be compounded daily

Interest will be credited yearly Otrly by check

The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.

If you close your account before interest is credited, you will not receive the accrued interest.

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is: 1

Minimum Balance Requirement: You must make a minimum deposit to open this account of \$ 1,000.00

You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest accrued credited during a term can be withdrawn: anytime prior to being credited to principal

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: 180 days interest on the amount withdrawn subject to penalty. interest on the amount withdrawn.

Renewal Policy:

Single Maturity: If checked, this account will not automatically renew. Interest will will not accrue after maturity.

Automatic Renewal: If checked, this account will automatically renew on the maturity date. (see page two for terms) Interest will will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

- Individual
- Joint Account - With Survivorship (and not as tenants in common)
- Joint Account - No Survivorship (as tenants in common)
- Trust: Separate Agreement Dated _____
- NOT FOR PROFIT

Revocable Trust or Pay on Death Designation as defined in this agreement (Beneficiaries' names and addresses)

BACKUP WITHHOLDING CERTIFICATIONS

TIN: 35-6001083

Taxpayer I.D. Number - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

Exempt Recipients - I am an exempt recipient under the Internal Revenue Service Regulations.

Backup Withholding - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

A provision for my signature, certifying under penalty of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien), is contained on the first copy of this certificate.

ENDORSEMENTS - SIGN ONLY WHEN YOU REQUEST WITHDRAWAL

X _____
X _____
X _____

Date: 08/21/2007 Term: 24 Months

Tax ID: 35-6001083

Replaces 14402
Number: 0000031075

Certificate of Deposit

Account Number: 14437
14437

Dollar 24 MONTH CD

Amount of

Deposit: Two thousand fourteen and 03/100

\$2,014.03

This Time Deposit is Issued to:

Issuer:

TOWN OF LAPEL
(SEWER IMPACT FEE)
PO BOX 999
LAPEL IN 46051

COMMUNITY BANK
830 Logan Street
Noblesville, IN 46060

Not Negotiable - Not Transferable - Additional terms are below.

By DRL

Additional Terms and Disclosures

This form contains the terms for your time deposit. It is also the Truth-in-Savings disclosure for those depositors entitled to one. There are additional terms and disclosures on page two of this form, some of which explain or expand on those below. You should keep one copy of this form.

Maturity Date: This account matures 08/21/2009

(See below for renewal information.)

Rate Information: The interest rate for this account is 4.400 % with an annual percentage yield of 4.50 %. This rate will be paid until the maturity date specified above. Interest begins to accrue on the business day you deposit any noncash item (for example, a check).

Interest will be compounded daily

Interest will be credited yearly Qtrly TI

by check

The annual percentage yield assumes that interest remains on deposit until maturity. A withdrawal of interest will reduce earnings.

If you close your account before interest is credited, you will not receive the accrued interest.

The NUMBER OF ENDORSEMENTS needed for withdrawal or any other purpose is: 1

Minimum Balance Requirement: You must make a minimum deposit to open this account of \$ 1,000.00

You must maintain this minimum balance on a daily basis to earn the annual percentage yield disclosed.

Withdrawals of Interest: Interest accrued credited during a term can be withdrawn: anytime prior to being credited to principal

Early Withdrawal Penalty: If we consent to a request for a withdrawal that is otherwise not permitted you may have to pay a penalty. The penalty will be an amount equal to: 180 days interest on the amount withdrawn subject to penalty. interest on the amount withdrawn.

Renewal Policy:

Single Maturity: If checked, this account will not automatically renew. Interest will will not accrue after maturity.

Automatic Renewal: If checked, this account will automatically renew on the maturity date. (see page two for terms) Interest will will not accrue after final maturity.

ACCOUNT OWNERSHIP: You have requested and intend the type of account marked below.

- Individual
- Joint Account - With Survivorship (and not as tenants in common)
- Joint Account - No Survivorship (as tenants in common)
- Trust: Separate Agreement Dated _____
- NOT FOR PROFIT

Revocable Trust or Pay on Death Designation as defined in this agreement (Beneficiaries' names and addresses)

BACKUP WITHHOLDING CERTIFICATIONS

TIN: 35-6001083

Taxpayer I.D. Number - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

Exempt Recipients - I am an exempt recipient under the Internal Revenue Service Regulations.

Backup Withholding - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

A provision for my signature, certifying under penalty of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien), is contained on the first copy of this certificate.

ENDORSEMENTS - SIGN ONLY WHEN YOU REQUEST WITHDRAWAL

X _____
X _____
X _____