

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

AUDIT REPORT
OF

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
A COMPONENT UNIT OF
CITY OF LAWRENCEBURG
DEARBORN COUNTY, INDIANA

January 1, 2003 to December 31, 2006



FILED
12/31/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Executive Director/Treasurer	(Vacant) Tom Stiedel	01-01-03 to 01-26-03 01-27-03 to 12-31-07
Chairman of the Board	Vickie March	01-01-03 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

TO: THE OFFICIALS OF THE LAWRENCEBURG LOCAL IMPROVEMENT
BOND BANK, DEARBORN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities and each major fund information of the Lawrenceburg Local Improvement Bond Bank (Local Improvement Bond Bank), as of and for the years ended December 31, 2003, 2004, 2005, and 2006, which collectively comprise the Local Improvement Bond Bank's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Local Improvement Bond Bank'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. 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 Local Improvement Bond Bank 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 and each major fund information of the Local Improvement Bond Bank as of December 31, 2003, 2004, 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.

The Local Improvement Bond Bank 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.

STATE BOARD OF ACCOUNTS

December 3, 2007

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2003

Functions/Programs	Disbursements	Program Receipts Operating Contributions	Disbursement and Changes in Net Assets Primary Government Governmental Activities
Primary government:			
Governmental activities:			
General government	\$ 1,543	\$ -	\$ (1,543)
Project income distributions	12,384	-	(12,384)
Loans to entities	8,000,000	20,000,000	12,000,000
Total primary government	\$ 8,013,927	\$ 20,000,000	11,986,073
General receipts:			
Other local sources			75,178
Unrestricted investment earnings			87,463
Total general receipts			162,641
Change in net assets			12,148,714
Net assets - beginning			-
Net assets - ending			\$ 12,148,714
 <u>Assets</u>			
Cash and investments			\$ 12,148,714
 <u>Net Assets</u>			
Unrestricted			\$ 12,148,714

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
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, 2003

	<u>General</u>	<u>Fortune Management Project</u>	<u>Totals</u>
Receipts:			
Contributions from City of Lawrenceburg	\$ 20,000,000	\$ -	\$ 20,000,000
Other	<u>139,668</u>	<u>22,973</u>	<u>162,641</u>
Total receipts	<u>20,139,668</u>	<u>22,973</u>	<u>20,162,641</u>
Disbursements:			
General government	1,543	-	1,543
Project income distributions	-	12,384	12,384
Loans to entities	<u>-</u>	<u>8,000,000</u>	<u>8,000,000</u>
Total disbursements	<u>1,543</u>	<u>8,012,384</u>	<u>8,013,927</u>
Excess (deficiency) of receipts over disbursements	<u>20,138,125</u>	<u>(7,989,411)</u>	<u>12,148,714</u>
Other financing sources (uses):			
Transfers in	10,589	8,000,000	8,010,589
Transfers out	<u>(8,000,000)</u>	<u>(10,589)</u>	<u>(8,010,589)</u>
Total other financing sources (uses)	<u>(7,989,411)</u>	<u>7,989,411</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	12,148,714	-	12,148,714
Cash and investment fund balance - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 12,148,714</u>	<u>\$ -</u>	<u>\$ 12,148,714</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	<u>\$ 12,148,714</u>	<u>\$ -</u>	<u>\$ 12,148,714</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Unrestricted	<u>\$ 12,148,714</u>	<u>\$ -</u>	<u>\$ 12,148,714</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended December 31, 2003

	<u>Agency Fund</u>
Additions:	
Agency fund additions	\$ <u>12,676</u>
Excess of total additions over total deductions	12,676
Cash and investment fund balance - beginning	<u>-</u>
Cash and investment fund balance - ending	<u>\$ 12,676</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2004

Functions/Programs	Disbursements	Disbursement and Changes in Net Assets
		Primary Government Governmental Activities
Primary government:		
Governmental activities:		
General government	\$ 90,563	\$ (90,563)
Loans to entities	6,293,605	(6,293,605)
Total governmental activities	\$ 6,384,168	(6,384,168)
	General receipts:	
	Other local sources	80,219
	Unrestricted investment earnings	81,703
	Total general receipts	161,922
	Change in net assets	(6,222,246)
	Net assets - beginning	12,148,714
	Net assets - ending	\$ 5,926,468
 <u>Assets</u>		
Cash and investments		\$ 1,640,693
Restricted assets:		
Cash with fiscal agent		4,285,775
Total assets		\$ 5,926,468
 <u>Net Assets</u>		
Restricted for:		
Loans to entities		\$ 4,285,775
Unrestricted		1,640,693
Total net assets		\$ 5,926,468

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
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, 2004

	General	Envision Care Project	Hillside Health Project	Pieratt Properties Project	Totals
Receipts:					
Other	\$ 146,121	\$ 421	\$ 13,786	\$ 1,594	\$ 161,922
Disbursements:					
General government	90,563	-	-	-	90,563
Loan to entities	6,000,000	44,340	249,265	-	6,293,605
Total disbursements	6,090,563	44,340	249,265	-	6,384,168
Excess (deficiency) of receipts over disbursements	(5,944,442)	(43,919)	(235,479)	1,594	(6,222,246)
Other financing sources (uses):					
Transfers in	421	110,000	3,500,000	954,000	4,564,421
Transfers out	(4,564,000)	(421)	-	-	(4,564,421)
Total other financing sources (uses)	(4,563,579)	109,579	3,500,000	954,000	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,508,021)	65,660	3,264,521	955,594	(6,222,246)
Cash and investment fund balance - beginning	12,148,714	-	-	-	12,148,714
Cash and investment fund balance - ending	<u>\$ 1,640,693</u>	<u>\$ 65,660</u>	<u>\$ 3,264,521</u>	<u>\$ 955,594</u>	<u>\$ 5,926,468</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 1,640,693	\$ -	\$ -	\$ -	\$ 1,640,693
Restricted assets:					
Cash with fiscal agent	-	65,660	3,264,521	955,594	4,285,775
Total cash and investment assets - December 31	<u>\$ 1,640,693</u>	<u>\$ 65,660</u>	<u>\$ 3,264,521</u>	<u>\$ 955,594</u>	<u>\$ 5,926,468</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Loan to entities	\$ -	\$ 65,660	\$ 3,264,521	\$ 955,594	\$ 4,285,775
Unrestricted	1,640,693	-	-	-	1,640,693
Total cash and investment fund balance - December 31	<u>\$ 1,640,693</u>	<u>\$ 65,660</u>	<u>\$ 3,264,521</u>	<u>\$ 955,594</u>	<u>\$ 5,926,468</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended December 31, 2004

	<u>Agency Fund</u>
Additions:	
Agency fund additions	\$ 3,049,958
Deductions:	
Agency fund deductions	<u>744,712</u>
Excess of total additions over total deductions	2,305,246
Cash and investment fund balance - beginning	<u>12,676</u>
Cash and investment fund balance - ending	<u><u>\$ 2,317,922</u></u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts Operating Contributions	Disbursement and Changes in Net Assets Primary Government Governmental Activities
Primary government:			
Governmental activities:			
General government	\$ 21,540	\$ -	\$ (21,540)
Loans to entities	5,909,782	2,000,000	(3,909,782)
Total primary government	\$ 5,931,322	\$ 2,000,000	(3,931,322)
		General receipts:	
		Loan repayments	2,536,230
		Unrestricted investment earnings	89,455
		Special items:	
		Project income distributions	(13,787)
		Total general receipts and special items	2,611,898
		Change in net assets	(1,319,424)
		Net assets - beginning	5,926,468
		Net assets - ending	\$ 4,607,044
<u>Assets</u>			
		Cash and investments	\$ 3,673,818
		Restricted assets:	
		Cash with fiscal agent	933,226
		Total assets	\$ 4,607,044
<u>Net Assets</u>			
		Restricted for:	
		Loans to entities	933,226
		Unrestricted	3,673,818
		Total net assets	\$ 4,607,044

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
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	Envision Care Project	Hillside Health Project	Pieratt Properties Project	Totals
Receipts:					
Contributions from the City of Lawrenceburg	\$ 2,000,000	\$ -	\$ -	\$ -	\$ 2,000,000
Loan repayments	2,536,230	-	-	-	2,536,230
Other	82,672	1,536	-	5,247	89,455
Total receipts	4,618,902	1,536	-	5,247	4,625,685
Disbursements:					
General government	21,540	-	-	-	21,540
Loans to entities	2,565,773	18,620	2,493,282	832,107	5,909,782
Total disbursements	2,587,313	18,620	2,493,282	832,107	5,931,322
Excess (deficiency) of receipts over disbursements	2,031,589	(17,084)	(2,493,282)	(826,860)	(1,305,637)
Other financing sources (uses):					
Project income distributions	-	-	(13,787)	-	(13,787)
Transfers in	1,536	-	-	-	1,536
Transfers out	-	(1,536)	-	-	(1,536)
Total other financing sources (uses)	1,536	(1,536)	(13,787)	-	(13,787)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	2,033,125	(18,620)	(2,507,069)	(826,860)	(1,319,424)
Cash and investment fund balance - beginning	1,640,693	65,660	3,264,521	955,594	5,926,468
Cash and investment fund balance - ending	<u>\$ 3,673,818</u>	<u>\$ 47,040</u>	<u>\$ 757,452</u>	<u>\$ 128,734</u>	<u>\$ 4,607,044</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 3,673,818	\$ -	\$ -	\$ -	\$ 3,673,818
Restricted assets:					
Cash and investments	-	47,040	757,452	128,734	933,226
Total cash and investment assets - December 31	<u>\$ 3,673,818</u>	<u>\$ 47,040</u>	<u>\$ 757,452</u>	<u>\$ 128,734</u>	<u>\$ 4,607,044</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Loans to entities	\$ -	\$ 47,040	\$ 757,452	\$ 128,734	\$ 933,226
Unrestricted	3,673,818	-	-	-	3,673,818
Total cash and investment fund balance - December 31	<u>\$ 3,673,818</u>	<u>\$ 47,040</u>	<u>\$ 757,452</u>	<u>\$ 128,734</u>	<u>\$ 4,607,044</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended December 31, 2005

	Agency Fund
Additions:	
Agency fund additions	\$ 29,232
Deductions:	
Agency fund deductions	1,275,839
Deficiency of total additions over total deductions	(1,246,607)
Cash and investment fund balance - beginning	2,317,922
Cash and investment fund balance - ending	\$ 1,071,315

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2006

Functions/Programs	Disbursements	Disbursement and Changes in Net Assets
		Primary Government
		Governmental Activities
Primary government:		
Governmental activities:		
General government	\$ 11,674	\$ (11,674)
Loans to entities	168,138	(168,138)
Total primary government	\$ 179,812	(179,812)
General receipts:		
Other local sources		764,683
Unrestricted investment earnings		33,712
Special items:		
Contributions returned to City of Lawrenceburg		(3,000,000)
Total general receipts and special items		(2,201,605)
Change in net assets		(2,381,417)
Net assets - beginning		4,607,044
Net assets - ending		\$ 2,225,627
 <u>Assets</u>		
Cash and investments		\$ 1,502,604
Restricted assets:		
Cash with fiscal agent		723,023
Total assets		\$ 2,225,627
 <u>Net Assets</u>		
Restricted for:		
Loans to entities		\$ 723,023
Unrestricted		1,502,604
Total net assets		\$ 2,225,627

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

LAWRENCEBURG LOCAL IMPROVEMENT BAND BANK
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	Envision Care Project	Hillside Health Project	Pieratt Properties Project	Totals
Receipts:					
Loan repayments	\$ 764,683	\$ -	\$ -	\$ -	\$ 764,683
Other	31,177	255	-	2,280	33,712
Total receipts	795,860	255	-	2,280	798,395
Disbursements:					
General government	11,674	-	-	-	11,674
Loans to entities	-	2,695	43,346	122,097	168,138
Total disbursements	11,674	2,695	43,346	122,097	179,812
Excess (deficiency) of receipts over disbursements	784,186	(2,440)	(43,346)	(119,817)	618,583
Other financing sources (uses):					
Transfers in	44,600	-	-	-	44,600
Transfers out	-	(44,600)	-	-	(44,600)
Contributions returned to City of Lawrenceburg	(3,000,000)	-	-	-	(3,000,000)
Total other financing sources (uses)	(2,955,400)	(44,600)	-	-	(3,000,000)
Deficiency of receipts and other financing sources over disbursements and other financing uses	(2,171,214)	(47,040)	(43,346)	(119,817)	(2,381,417)
Cash and investment fund balance - beginning	3,673,818	47,040	757,452	128,734	4,607,044
Cash and investment fund balance - ending	<u>\$ 1,502,604</u>	<u>\$ -</u>	<u>\$ 714,106</u>	<u>\$ 8,917</u>	<u>\$ 2,225,627</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 1,502,604	\$ -	\$ -	\$ -	\$ 1,502,604
Restricted assets:					
Cash with fiscal agent	-	-	714,106	8,917	723,023
Total cash and investment assets - December 31	<u>\$ 1,502,604</u>	<u>\$ -</u>	<u>\$ 714,106</u>	<u>\$ 8,917</u>	<u>\$ 2,225,627</u>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
Loans to entities	\$ -	\$ -	\$ 714,106	\$ 8,917	\$ 723,023
Unrestricted	1,502,604	-	-	-	1,502,604
Total cash and investment fund balance - December 31	<u>\$ 1,502,604</u>	<u>\$ -</u>	<u>\$ 714,106</u>	<u>\$ 8,917</u>	<u>\$ 2,225,627</u>

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For the Year Ended December 31, 2006

	Agency Fund
Additions:	
Agency fund additions	\$ 10,584
Deductions:	
Agency fund additions	63,564
Deficiency of total additions over total deductions	(52,980)
Cash and investment fund balance - beginning	1,071,315
Cash and investment fund balance - ending	\$ 1,018,335

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

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Local Improvement Bond Bank was established under the laws of the State of Indiana for the purpose of making loans to political subdivisions located in Dearborn County. The Local Improvement Bond Bank operates under an appointed governing board.

The Mayor of the City of Lawrenceburg appoints the Governing Board of the Local Improvement Bond Bank and a financial benefit/burden relationship exists between the City and the Local Improvement Bond Bank. For these reasons, the Local Improvement Bond Bank is considered a component unit of City of Lawrenceburg.

The Local Improvement Bond Bank's financial reporting entity is composed of the following:

Primary Government: Lawrenceburg Local Improvement Bond Bank

In determining the financial reporting entity, the Local Improvement Bond Bank 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. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

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, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The Local Improvement Bond Bank 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 following major funds are used to account for proceeds from Taxable Economic Development (TED) Bonds issued by the City of Lawrenceburg that were purchased by the Local Improvement Bond Bank. The City of Lawrenceburg loaned the proceeds of the bonds to private companies for economic development purposes. The bonds are secured by the assignment of loan agreements entered into between the City of Lawrenceburg and the private companies.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fortune management project
Envision care project
Hillside health project
Pieratt properties project

Additionally, the Local Improvement Bond Bank reports the following fund type:

Agency funds account for assets held by the United Community Bank, escrow agent, as an agent for Fortune Management of Lawrenceburg, Inc., (a developer).

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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 Local Improvement Bond Bank utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. 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 by loan and bond covenants.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

- b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

It is the Local Improvement Bond Bank'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.

E. Program Receipts

Amounts reported as program receipts include contributions. Internally dedicated resources are reported as general receipts rather than as program receipts.

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

II. 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.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13.

Investment Policies

Indiana Code 5-13-9 authorizes the Local Improvement Bond Bank 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 by the Local Improvement Bond Bank 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 Local Improvement Bond Bank 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.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2003, 2004, 2005, and 2006, were as follows:

Transfer From	Transfer To	2003	2004	2005	2006
General Fund	Fortune Management Project	\$ 8,000,000	\$ -	\$ -	\$ -
General Fund	Envision Care Project	-	110,000	-	-
General Fund	Hillside Health Project	-	3,500,000	-	-
General Fund	Pieratt Properties Project	-	954,000	-	-
Fortune Management Project	General Fund	10,589	-	-	-
Envision Care Project	General Fund	-	421	1,536	44,600
Totals		<u>\$ 8,010,589</u>	<u>\$ 4,564,421</u>	<u>\$ 1,536</u>	<u>\$ 44,600</u>

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
NOTES TO FINANCIAL STATEMENTS
(Continued)

The Local Improvement Bond Bank typically uses transfers for cash flow purposes as provided by various statutory provisions.

III. Other Information

A. Risk Management

The Local Improvement Bond Bank is exposed to various risks of loss related to torts and errors and omissions.

The risks of torts and errors and omissions 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. Lawsuits

The Local Improvement Bond Bank filed a mortgage foreclosure on properties owned by Fortune Management of Lawrenceburg, Inc., (FML) on October 12, 2006. FML has filed a counter claim against the Local Improvement Bond Bank, the City of Lawrenceburg and various individuals. FML owes the Local Improvement Bond Bank approximately \$7,200,000 as of October 1, 2007, on a loan agreement assigned to the Local Improvement Bond Bank by the City of Lawrenceburg in connection with a Taxable Economic Development Bond, Series 2003 (Fortune Management Project) purchased by the Local Improvement Bond Bank. The counter claim is for damages in excess of \$30,000,000.

The Bond Bank has determined that a reasonable expectation of a loss on the loan to FML is \$5,000,000

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS

BOND BANK LOAN APPLICATION AND APPROVAL PROCEDURES

The following was the loan application process, based on information presented for audit:

1. The Board of Directors adopted Resolution 1 on January 27, 2003, approving the use of a loan application to be submitted by persons requesting a loan from the Bond Bank.
2. Vickie March, President of the Board, stated on September 6, 2007, that all applicants (private or public) were required to fill out an approved bond bank application and submit it and any other required documents to the Executive Director who reviews the application.

No loan applications were presented for audit.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

LOAN DISBURSEMENT DOCUMENTATION – FORTUNE MANAGEMENT PROJECT

The following loan disbursement documentation was not presented for audit:

1. Original supporting documentation in the form of contractor application for payments and/or invoices were not included in the Escrow Agent's file for the following loan payments made to Fortune Management of Lawrenceburg, Inc.:

<u>Date</u>	<u>Amount</u>
05-03-03	\$ 498,647
06-03-03	503,440
07-01-03	463,410
08-28-03	<u>729,086</u>
Total	<u>\$ 2,194,583</u>

The Bond Bank purchased Taxable Economic Development Bonds, Series 2003 (Fortune Management Project) issued by the City of Lawrenceburg through an agreement titled "Qualified Entity Purchase Agreement" (purchase agreement) dated March 27, 2003. The purchase agreement was between the City of Lawrenceburg, the Bond Bank, and United Community Bank (Escrow Agent). The bond proceeds were used by the City of Lawrenceburg to loan monies to Fortune Management of Lawrenceburg, Inc., to finance an economic development project. The purchase agreement was secured by the assignment and pledge of a Loan Agreement, dated March 27, 2003, between the City of Lawrenceburg and Fortune Management (Borrower).

We contacted Bob Hrezo, P.E., who was appointed by the Bond Bank to inspect the contractor's applications for payment and to perform on-site inspections of Fortune Management Project. Bob Hrezo, P.E., provided us with copies of the disbursement documentation upon our request.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS
(Continued)

2. Fifteen checks, dated in the year 2003, totaling \$109,910 and made payable to various vendors were not supported by documentation in the form of invoices.

Section 3.16 of the Loan Agreement requires the escrow agent to advance loan proceeds upon receiving the following documentation:

"(a) The written request of the Borrower . . . as to draws for construction costs, the approval of architect, and attached to an AIA form (contractor's application for payment) of requisition request:

- (i) stating that the costs of an aggregate amount set forth in such written request have been made or incurred and were necessary for the Project and were made or incurred with the construction contract, plans and specifications, or purchase contracts . . .
- (ii) stating that the amount paid or to be paid . . . is reasonable and represents a part of the amount payable for the cost of the request . . .
- (iii) stating that no part of said costs was included in any prior written request . . .
- (v) a currently dated and executed certificate of the Borrower that all of its representations in this Loan Agreement are still correct and complete in all material respects as of the date of the certificate. . .

(c) copies of all invoices paid or to be paid together with copies of checks used or to be used for payment;

(d) the affidavit of each contractor employed in connection with the Project, in form satisfactory to the Bondholder certifying that all amounts due to the contractor to the date of the affidavit have been paid, together with a waiver of mechanic's lien rights accrued to the date of the affidavit . . ."

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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 Special Districts, Chapter 10)

ACCOUNTING FOR PROCEEDS FROM SALE OF PROJECT PROPERTIES

Fortune Management of Lawrenceburg, Inc., (Fortune Management) sold various properties related to the Fortune Management Project (Project). The Project was financed with a loan agreement between the City of Lawrenceburg and Fortune Management. The City of Lawrenceburg assigned the loan agreement to the Bond Bank. The loan agreement is secured by a mortgage of certain Project properties. Proceeds from the sale of the properties were deposited into a separate escrow account.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS
(Continued)

We reviewed disbursements from the escrow account and found the following:

1. Payments totaling \$737,878 were made in the year 2004, consisting of one payment to Fortune Management in the amount of \$595,415 and payments to 24 vendors totaling \$142,463.

The payments were based on a request documented on a spreadsheet that described the amount requested as "True-up Billing". The payment to Fortune Management was not documented on a contractor application for payment, which had been the past practice. The supporting documentation for the payments to vendors consisted of a listing of vendors totaling \$142,263 described as "Outstanding Payables for 2003". No invoices were on file for the payments made directly to vendors.

The December 7, 2004, minutes of the Board of Directors stated this request was to catch up expenses for all outstanding projects. The payments were approved by the Board of Directors on December 7, 2004.

2. Other payments were made from the escrow account to make payments for additional improvements on the remaining properties related to the Fortune Management Project. Our review of selected payments to vendors disclosed that \$22,732 in payments were not supported by invoices on file.

The Loan Agreement dated March 27, 2003, or any other agreements, did not address the accounting for proceeds from the sale of Project properties. Information was not presented for audit for us to determine responsibilities of the Bond Bank or the Escrow Agent regarding the accounting for the receipt and disbursement of funds from this escrow account.

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 Special Districts, Chapter 10)

LOAN DOCUMENTATION – ENVISION CARE PROJECT

The Bond Bank purchased Taxable Economic Development Bonds, Series 2004 (Envision Care Project) issued by the City of Lawrenceburg through an agreement titled "Qualified Entity Purchase Agreement" (purchase agreement). The agreement was between the City of Lawrenceburg, the Bond Bank, and United Community Bank (Escrow Agent). Bond proceeds were used by the City of Lawrenceburg to loan monies to Envision Home Care Alternatives, Inc., (Envision Care) to finance an economic development project. The purchase agreement was secured by the assignment of a loan agreement between the City of Lawrenceburg and Envision Care (Borrower).

We identified the following deficiencies regarding loan documentation and the disbursement of loan monies:

1. The debt service amortization schedule for the repayment of the loan amount was not properly prepared. The schedule presented for audit showed the original loan principle balance as \$44,344. The actual original loan principal balance was \$65,655.

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS
(Continued)

The borrower paid \$2,694 on March 7, 2006, for interest due on the outstanding loan balance. Our calculation of interest showed interest due in the amount of \$738, resulting in the borrower overpaying interest due in the amount of \$1,956.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special Districts, Chapter 10)

2. Supporting documentation for two checks paid from the Envision Care Project escrow account totaling \$44,339 was not presented for audit.

Section 3.16 of the Loan Agreement requires the escrow agent to advance loan proceeds upon receiving the following documentation:

"(a) The written request of the Borrower . . . as to draws for construction costs, the approval of architect, and attached to an AIA form (contractor's application for payment) of requisition request:

- (i) stating that the costs of an aggregate amount set forth in such written request have been made or incurred and were necessary for the Project and were made or incurred with the construction contract, plans and specifications, or purchase contracts . . .
- (ii) stating that the amount paid or to be paid . . . is reasonable and represents a part of the amount payable for the cost of the request . . .
- (iii) stating that no part of said costs was included in any prior written request . . .
- (v) a currently dated and executed certificate of the Borrower that all of its representations in this Loan Agreement are still correct and complete in all material respects as of the date of the certificate. . .

(c) copies of all invoices paid or to be paid together with copies of checks used or to be used for payment;

(d) the affidavit of each contractor employed in connection with the Project, in form satisfactory to the Bondholder certifying that all amounts due to the contractor to the date of the affidavit have been paid, together with a waiver of mechanic's lien rights accrued to the date of the affidavit . . ."

Supporting documentation such as receipts, canceled checks, 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 Special Districts, Chapter 10)

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS
(Continued)

LOAN DOCUMENTATION - PIERATT PROPERTIES PROJECT

The Bond Bank purchased a Taxable Economic Development Bond, Series 2004 (Pieratt Properties Project) issued by the City of Lawrenceburg through an agreement titled "Qualified Entity Purchase Agreement". The agreement was between the City of Lawrenceburg, the Bond Bank, and United Community Bank (Escrow Agent). The proceeds of bonds were used by the City of Lawrenceburg to loan monies to Pieratt Properties, LLC (Pieratt Properties) to finance an economic development project. The purchase agreement was secured by the assignment a loan agreement between the City of Lawrenceburg and Pieratt Properties.

We identified the following deficiencies regarding loan documentation and the disbursement of loan monies:

1. The first draw of funds by Pieratt Properties was on January 24, 2005; however, the calculation of interest due on the outstanding loan balance was not accrued until March 2006.

The Development Agreement between the City of Lawrenceburg (including the Bond Bank) and Pieratt Properties dated November 17, 2004 does not require Pieratt Properties to make any loan payments for up to one year after the first draw; however, the agreement requires interest to accrue on any draws during the first year.

2. The debt service amortization schedule for the repayment of the loan shows interest accruing at the rate of 1% per annum for the first 5 years, 5% per annum for the next 5 years and 10% for the next 10 year period.

Resolution 2004-2, dated May 4, 2004, passed by the Board of Directors and the Development Agreement between the City of Lawrenceburg and Pieratt Properties, dated November 17, 2004, both require interest to accrue at the rate of 1% per annum for the first 5 years, 3% per annum for the next 5 years and at the "Prime Rate" plus 3% for the next 10 year period.

3. The loan agreement with Pieratt Properties authorizes Pieratt Properties to borrow \$954,000. Payments to Pieratt Properties totaled \$961,158. The additional amount paid was made from interest earned on the funds maintained in the escrow account. There were no provisions in the loan agreement addressing the disbursement of escrow income.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Special District, Chapter 10)

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
AUDIT RESULTS AND COMMENTS
(Continued)

INTEREST PAYMENTS BY GOVERNMENTAL ENTITIES

Interest on loans made to governmental entities were miscalculated as described below:

1. The Town of St. Leon (Town) made a loan payment on January 28, 2005, that included \$16,249 in interest. Interest was calculated for the period December 1, 2003 to January 5, 2005, (this represented the period from the date of the loan agreement to the date the first loan payment was due). The Town did not draw the funds until January 29, 2004. The actual interest due based on the draw down date of January 29, 2004, should have been \$13,808. The Bond Bank overcharged the Town \$2,441.
2. The City of Aurora (City) made a required loan payment on December 8, 2006, that included \$90,250 in interest. The interest rate used to calculate the amount paid was 4.75% per annum which was the interest rate stated in the loan agreement. The Bond Bank Board passed a motion to cap the interest rate at 4.5% on September 27, 2006, for all governmental entity loans. This amendment was retroactive back to January 1, 2006. The actual interest due based on the capped interest rate was \$85,500. The Bond Bank overcharged the City \$4,750.

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PRESCRIBED FORMS

The following prescribed or approved forms were not in use to account for monies in the General Fund:

1. Ledger of Receipts, Disbursements and Balance (General Form 358)
2. General Receipt (General Form 352)
3. General Check (General Form 356)
4. Accounts Payable Voucher (City Form 201)

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 Special Districts, Chapter 10)

LAWRENCEBURG LOCAL IMPROVEMENT BOND BANK
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2007, with Tom Stiedel, Executive Director/Treasurer; Vickie March, Chairman of the Board; and William Cunningham, City of Lawrenceburg Mayor.