

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

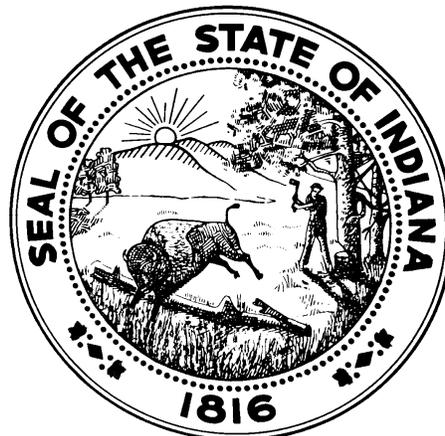
AUDIT REPORT

OF

TOWN OF LYONS

GREENE COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
05/19/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 11
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 12
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9, 13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10, 14
Notes to Financial Statements	15-20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	21-22
Schedule of Capital Assets.....	23-24
Schedule of Long-Term Debt	25
Supplemental Audit of Federal Awards:	
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.....	28-29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs	32
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kim Flynn	01-01-04 to 12-31-11
President of the Town Council	Scott Powers	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 LYONS, GREENE 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 Lyons (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated April 2, 2008, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

STATE BOARD OF ACCOUNTS

April 2, 2008



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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 LYONS, GREENE 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 Lyons (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated April 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

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, Town Council, 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

April 2, 2008

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 113,473	\$ 1,888	\$ 47,672	\$ -	\$ (63,913)	\$ -	\$ (63,913)
Public safety	537,223	8,158	-	466,108	(62,957)	-	(62,957)
Highways and streets	10,162	-	37,595	-	27,433	-	27,433
Culture and recreation	20,322	-	256	-	(20,066)	-	(20,066)
Urban redevelopment	266,713	-	-	266,713	-	-	-
Total governmental activities	947,893	10,046	85,523	732,821	(119,503)	-	(119,503)
Business-type activities:							
Water	97,881	131,992	-	-	-	34,111	34,111
Wastewater	131,399	121,428	-	-	-	(9,971)	(9,971)
Total business-type activities	229,280	253,420	-	-	-	24,140	24,140
Total primary government	\$ 1,177,173	\$ 263,466	\$ 85,523	\$ 732,821	(119,503)	24,140	(95,363)
General receipts:							
Property taxes					80,831	-	80,831
Grants and contributions not restricted to specific programs					18,910	-	18,910
Unrestricted investment earnings					810	1,611	2,421
Other Operating receipts					42,669	40,482	83,151
Total general receipts and other operating receipts					143,220	42,093	185,313
Change in net assets					23,717	66,233	89,950
Net assets - beginning					146,083	277,673	423,756
Net assets - ending					\$ 169,800	\$ 343,906	\$ 513,706
<u>Assets</u>							
Cash and investments					\$ 19,603	\$ 96,733	\$ 116,336
Restricted assets:							
Cash and investments					150,197	247,173	397,370
Total assets					\$ 169,800	\$ 343,906	\$ 513,706
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 16,367	\$ -	\$ 16,367
Highways and Streets					62,973	-	62,973
Other purposes					70,857	247,173	318,030
Unrestricted					19,603	96,733	116,336
Total net assets					\$ 169,800	\$ 343,906	\$ 513,706

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

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

	General	Motor Vehicle Highway	Cumulative Capital Improvement	Federal Grant Operating	Federal Grant Capital Improvement	Community Building Other	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 76,521	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,310	\$ 80,831
Intergovernmental	55,006	34,091	2,672	266,713	461,189	8,904	13,386	841,961
Charges for services	9,888	-	-	-	-	-	158	10,046
Other	7,367	-	-	-	-	11,779	1,301	20,447
Total receipts	148,782	34,091	2,672	266,713	461,189	20,683	19,155	953,285
Disbursements:								
General government	110,473	-	-	-	-	-	-	110,473
Public safety	39,981	2,700	-	-	461,189	27,887	5,466	537,223
Highways and streets	2,396	6,583	-	-	-	-	1,183	10,162
Culture and recreation	-	-	-	-	-	13,943	6,379	20,322
Urban redevelopment and housing	-	-	-	266,713	-	-	-	266,713
Capital outlay:								
General government	-	-	3,000	-	-	-	-	3,000
Total disbursements	152,850	9,283	3,000	266,713	461,189	41,830	13,028	947,893
Excess (deficiency) of receipts over disbursements	(4,068)	24,808	(328)	-	-	(21,147)	6,127	5,392
Other financing sources (uses):								
Transfers in	-	-	-	1,270	-	21,360	-	22,630
Transfers out	(970)	(21,160)	-	(200)	-	(300)	-	(22,630)
Other receipts	-	-	-	-	-	18,325	-	18,325
Total other financing sources (uses)	(970)	(21,160)	-	1,070	-	39,385	-	18,325
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,038)	3,648	(328)	1,070	-	18,238	6,127	23,717
Cash and investment fund balance - beginning	18,560	51,456	50,924	(970)	-	8,529	17,584	146,083
Cash and investment fund balance - ending	<u>\$ 13,522</u>	<u>\$ 55,104</u>	<u>\$ 50,596</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 26,767</u>	<u>\$ 23,711</u>	<u>\$ 169,800</u>
Cash and Investment Assets - December 31								
Cash and investments	\$ 13,522	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,081	\$ 19,603
Restricted assets:								
Cash and investments	-	55,104	50,596	100	-	26,767	17,630	150,197
Total cash and investment assets - December 31	<u>\$ 13,522</u>	<u>\$ 55,104</u>	<u>\$ 50,596</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 26,767</u>	<u>\$ 23,711</u>	<u>\$ 169,800</u>
Cash and Investment Fund Balance - December 31								
Restricted for:								
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,442	\$ 7,925	\$ 16,367
Highways and Streets	-	55,104	-	-	-	-	7,869	62,973
Other purposes	-	-	50,596	100	-	18,325	1,836	70,857
Unrestricted	13,522	-	-	-	-	-	6,081	19,603
Total cash and investment fund balance - December 31	<u>\$ 13,522</u>	<u>\$ 55,104</u>	<u>\$ 50,596</u>	<u>\$ 100</u>	<u>\$ -</u>	<u>\$ 26,767</u>	<u>\$ 23,711</u>	<u>\$ 169,800</u>

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

TOWN OF LYONS
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	Totals
Operating receipts:			
Metered water receipts:			
Residential	\$ 117,532	\$ -	\$ 117,532
Residential sales	-	109,593	109,593
Fire protection receipts	2,439	-	2,439
Other water receipts	12,021	-	12,021
Other	<u>8,604</u>	<u>18,713</u>	<u>27,317</u>
Total operating receipts	<u>140,596</u>	<u>128,306</u>	<u>268,902</u>
Operating disbursements:			
Salaries and wages	7,856	7,856	15,712
Chemicals	5,357	-	5,357
Material and supplies	8,805	709	9,514
Miscellaneous disbursements	<u>71,015</u>	<u>61,001</u>	<u>132,016</u>
Total operating disbursements	<u>93,033</u>	<u>69,566</u>	<u>162,599</u>
Excess of operating receipts over operating disbursements	<u>47,563</u>	<u>58,740</u>	<u>106,303</u>
Nonoperating receipts (disbursements):			
Loan proceeds	-	25,000	25,000
Interest and investment receipts	660	951	1,611
Debt service of principal	(3,053)	(45,072)	(48,125)
Interest and investment disbursement	<u>(1,795)</u>	<u>(16,761)</u>	<u>(18,556)</u>
Total nonoperating disbursements	<u>(4,188)</u>	<u>(35,882)</u>	<u>(40,070)</u>
Excess of receipts over disbursements and nonoperating disbursements	43,375	22,858	66,233
Cash and investment fund balance - beginning	<u>82,163</u>	<u>195,510</u>	<u>277,673</u>
Cash and investment fund balance - ending	<u>\$ 125,538</u>	<u>\$ 218,368</u>	<u>\$ 343,906</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 57,266	\$ 39,467	\$ 96,733
Restricted assets:			
Cash and investments	<u>68,272</u>	<u>178,901</u>	<u>247,173</u>
Total cash and investment assets - December 31	<u>\$ 125,538</u>	<u>\$ 218,368</u>	<u>\$ 343,906</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 135,728	\$ 135,728
Other purposes	68,272	43,173	111,445
Unrestricted	<u>57,266</u>	<u>39,467</u>	<u>96,733</u>
Total cash and investment fund balance - December 31	<u>\$ 125,538</u>	<u>\$ 218,368</u>	<u>\$ 343,906</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 101,697
Deductions:	
Agency fund deductions	101,697
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

TOWN OF LYONS
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 102,083	\$ 3,505	\$ 43,281	\$ -	\$ (55,297)	\$ -	\$ (55,297)
Public safety	99,709	281	-	20,981	(78,447)	-	(78,447)
Highways and streets	6,969	-	40,067	-	33,098	-	33,098
Health and welfare	420,000	-	-	420,000	-	-	-
Urban redevelopment	33,288	-	33,288	-	-	-	-
Culture and recreation	16,839	5,440	-	-	(11,399)	-	(11,399)
Total governmental activities	<u>678,888</u>	<u>9,226</u>	<u>116,636</u>	<u>440,981</u>	<u>(112,045)</u>	<u>-</u>	<u>(112,045)</u>
Business-type activities:							
Water	987,842	182,201	-	-	-	(805,641)	(805,641)
Wastewater	86,873	124,715	-	-	-	37,842	37,842
Total business-type activities	<u>1,074,715</u>	<u>306,916</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(767,799)</u>	<u>(767,799)</u>
Total primary government	<u>\$ 1,753,603</u>	<u>\$ 316,142</u>	<u>\$ 116,636</u>	<u>\$ 440,981</u>	<u>(112,045)</u>	<u>(767,799)</u>	<u>(879,844)</u>
General receipts:							
Property taxes					52,898	-	52,898
Bonds and loans					-	874,000	874,000
Grants and contributions not restricted to specific programs					9,379	-	9,379
Unrestricted investment earnings					2,083	3,631	5,714
Other receipts					11,115	-	11,115
Total general receipts and other receipts					<u>75,475</u>	<u>877,631</u>	<u>953,106</u>
Change in net assets					(36,570)	109,832	73,262
Net assets - beginning					<u>169,800</u>	<u>343,906</u>	<u>513,706</u>
Net assets - ending					<u>\$ 133,230</u>	<u>\$ 453,738</u>	<u>\$ 586,968</u>
<u>Assets</u>							
Cash and investments					\$ 37,636	\$ 155,843	\$ 193,479
Restricted assets:							
Cash and investments					<u>95,594</u>	<u>297,895</u>	<u>393,489</u>
Total assets					<u>\$ 133,230</u>	<u>\$ 453,738</u>	<u>\$ 586,968</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 9,195	\$ -	\$ 9,195
Highways and Streets					63,163	-	63,163
Other purposes					23,236	297,895	321,131
Unrestricted					<u>37,636</u>	<u>155,843</u>	<u>193,479</u>
Total net assets					<u>\$ 133,230</u>	<u>\$ 453,738</u>	<u>\$ 586,968</u>

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

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

	General	Motor Vehicle Highway	Cumulative Capital Improvement	Federal Grant Operating	Federal Grant Capital Improvement	Community Building Other	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 50,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,650	\$ 52,898
Intergovernmental	49,820	36,486	2,627	33,288	432,615	-	16,877	571,713
Charges for services	3,505	-	-	-	-	5,440	281	9,226
Other	4,467	-	-	-	-	4,014	-	8,481
Total receipts	108,040	36,486	2,627	33,288	432,615	9,454	19,808	642,318
Disbursements:								
General government	101,097	-	-	-	-	-	-	101,097
Public safety	53,954	2,908	-	-	12,615	20,975	9,257	99,709
Highways and streets	-	4,253	-	-	-	-	2,716	6,969
Health and welfare	-	-	-	-	420,000	-	-	420,000
Culture and recreation	-	-	-	-	-	10,043	6,796	16,839
Urban redevelopment and housing	-	-	-	33,288	-	-	-	33,288
Capital outlay:								
General government	-	-	986	-	-	-	-	986
Total disbursements	155,051	7,161	986	33,288	432,615	31,018	18,769	678,888
Excess (deficiency) of receipts over disbursements	(47,011)	29,325	1,641	-	-	(21,564)	1,039	(36,570)
Other financing sources (uses):								
Transfers in	60,327	-	-	-	-	-	-	60,327
Transfers out	-	(30,000)	(30,000)	-	-	-	(327)	(60,327)
Total other financing sources (uses)	60,327	(30,000)	(30,000)	-	-	-	(327)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	13,316	(675)	(28,359)	-	-	(21,564)	712	(36,570)
Cash and investment fund balance - beginning	13,522	55,104	50,596	100	-	26,767	23,711	169,800
Cash and investment fund balance - ending	\$ 26,838	\$ 54,429	\$ 22,237	\$ 100	\$ -	\$ 5,203	\$ 24,423	\$ 133,230
Cash and Investment Assets - December 31								
Cash and investments	\$ 26,838	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,798	\$ 37,636
Restricted assets:								
Cash and investments	-	54,429	22,237	100	-	5,203	13,625	95,594
Total cash and investment assets - December 31	\$ 26,838	\$ 54,429	\$ 22,237	\$ 100	\$ -	\$ 5,203	\$ 24,423	\$ 133,230
Cash and Investment Fund Balance - December 31								
Restricted for:								
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,203	\$ 3,992	\$ 9,195
Highways and Streets	-	54,429	-	-	-	-	8,734	63,163
Other purposes	-	-	22,237	100	-	-	899	23,236
Unrestricted	26,838	-	-	-	-	-	10,798	37,636
Total cash and investment fund balance - December 31	\$ 26,838	\$ 54,429	\$ 22,237	\$ 100	\$ -	\$ 5,203	\$ 24,423	\$ 133,230

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

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

	<u>Water Utility</u>	<u>Wastewater Utility</u>	<u>Totals</u>
Operating receipts:			
Metered water receipts:			
Residential	\$ 162,731	\$ -	\$ 162,731
Fire protection receipts	6,250	-	6,250
Residential Sales	-	109,216	109,216
Other	<u>13,220</u>	<u>15,499</u>	<u>28,719</u>
Total operating receipts	<u>182,201</u>	<u>124,715</u>	<u>306,916</u>
Operating disbursements:			
Salaries and wages	8,760	8,760	17,520
Chemicals	4,970	-	4,970
Material and supplies	7,637	2,740	10,377
Contractual services	873,751	-	873,751
Miscellaneous disbursements	<u>62,376</u>	<u>38,438</u>	<u>100,814</u>
Total operating disbursements	<u>957,494</u>	<u>49,938</u>	<u>1,007,432</u>
Excess (deficiency) of operating receipts over operating disbursements	<u>(775,293)</u>	<u>74,777</u>	<u>(700,516)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	874,000	-	874,000
Interest and investment receipts	1,637	1,994	3,631
Debt service of principal	(24,921)	(21,753)	(46,674)
Interest and investment disbursement	<u>(5,427)</u>	<u>(15,182)</u>	<u>(20,609)</u>
Total nonoperating receipts (disbursements)	<u>845,289</u>	<u>(34,941)</u>	<u>810,348</u>
Excess of receipts over disbursements and nonoperating receipts (disbursements)	69,996	39,836	109,832
Cash and investment fund balance - beginning	<u>125,538</u>	<u>218,368</u>	<u>343,906</u>
Cash and investment fund balance - ending	<u>\$ 195,534</u>	<u>\$ 258,204</u>	<u>\$ 453,738</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 102,268	\$ 53,575	\$ 155,843
Restricted assets:			
Cash and investments	<u>93,266</u>	<u>204,629</u>	<u>297,895</u>
Total cash and investment assets - December 31	<u>\$ 195,534</u>	<u>\$ 258,204</u>	<u>\$ 453,738</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 34,671	\$ 148,864	\$ 183,535
Other purposes	58,595	55,765	114,360
Unrestricted	<u>102,268</u>	<u>53,575</u>	<u>155,843</u>
Total cash and investment fund balance - December 31	<u>\$ 195,534</u>	<u>\$ 258,204</u>	<u>\$ 453,738</u>

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

TOWN OF LYONS
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES
IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2007

	Agency Funds
Additions:	
Agency fund additions	\$ 108,092
Deductions:	
Agency fund deductions	108,092
Excess of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

TOWN OF LYONS
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, health and social services, culture and recreation, public improvements, general administrative services, water, wastewater, and urban redevelopment (and housing).

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

Primary Government: Town of Lyons

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other 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 motor vehicle highway fund accounts for the construction, maintenance, and reconstruction of town highways and streets.

The cumulative capital improvement fund accounts account for receipts and disbursements of state cigarette tax distributions.

The federal grant operating fund accounts for receipts and disbursements of federal grant funds used for the rehabilitation of rural housing.

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

The federal grant capital improvement fund accounts for receipts and disbursements of federal funds. In 2006 and early in 2007, the fund was used for the construction of a new fire station. In the fall of 2007, the fund was used to account for grant funds used in conjunction with the water distribution system project.

The community building other fund accounts for receipts and disbursements for the rental and maintenance of the community building.

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.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll.

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.

The effect of interfund activity has been eliminated from the government-wide financial statements.

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

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

In the process of aggregating the financial information for the government-wide 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:

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

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. In September of each year, the governing board, through the passage of a resolution/ ordinance, approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

The Town's management cannot transfer budgeted appropriations between object classifications of a budget without approval of the governing board. The Indiana Department of Local Government Finance must approve any revisions to the appropriations for any fund or any department of the General Fund. The legal level of budgetary control is by 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, 2006 and 2007, were as follows:

Transfer From	Transfer To	2006	2007
General Fund	Federal Grant Operating Fund	\$ 970	\$ -
Motor Vehicle Highway Fund	General Fund	-	30,000
	Community Building Other Fund	21,160	-
Community Building Other Fund	Federal Grant Operating Fund	300	-
Federal Grant Operating Fund	Community Building Other Fund	200	-
Cumulative Capital Improvement Fund	General Fund	-	30,000
Other governmental funds	General Fund	-	327
Totals		<u>\$ 22,630</u>	<u>\$ 60,327</u>

TOWN OF LYONS
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Rate Structure – Enterprise Funds

Water Utility

On November 23, 1992, the Town Council withdrew from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on August 14, 2007.

Wastewater Utility

The current rate structure was approved by the Town Council on September 21, 1995.

TOWN OF LYONS
 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

	Riverboat	Local Road and Street	Park and Recreation	Law Enforcement Continuing Education	Levy Excess	Abuse Task Force	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ 4,156	\$ -	\$ 154	\$ -	\$ 4,310
Intergovernmental	4,707	3,504	256	4,919	-	-	13,386
Charges for services	-	-	-	158	-	-	158
Other	-	-	1,300	-	1	-	1,301
Total receipts	<u>4,707</u>	<u>3,504</u>	<u>5,712</u>	<u>5,077</u>	<u>155</u>	<u>-</u>	<u>19,155</u>
Disbursements:							
Public safety	-	-	-	5,466	-	-	5,466
Highways and streets	-	1,183	-	-	-	-	1,183
Culture and recreation	-	-	6,379	-	-	-	6,379
Total disbursements	<u>-</u>	<u>1,183</u>	<u>6,379</u>	<u>5,466</u>	<u>-</u>	<u>-</u>	<u>13,028</u>
Excess (deficiency) of receipts over disbursements	<u>4,707</u>	<u>2,321</u>	<u>(667)</u>	<u>(389)</u>	<u>155</u>	<u>-</u>	<u>6,127</u>
Cash and investment fund balance - beginning	<u>1,374</u>	<u>5,548</u>	<u>8,592</u>	<u>1,785</u>	<u>172</u>	<u>113</u>	<u>17,584</u>
Cash and investment fund balance - ending	<u>\$ 6,081</u>	<u>\$ 7,869</u>	<u>\$ 7,925</u>	<u>\$ 1,396</u>	<u>\$ 327</u>	<u>\$ 113</u>	<u>\$ 23,711</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ 6,081	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,081
Restricted assets:							
Cash and investments	-	7,869	7,925	1,396	327	113	17,630
Total cash and investment assets - December 31	<u>\$ 6,081</u>	<u>\$ 7,869</u>	<u>\$ 7,925</u>	<u>\$ 1,396</u>	<u>\$ 327</u>	<u>\$ 113</u>	<u>\$ 23,711</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ 7,925	\$ -	\$ -	\$ -	\$ 7,925
Highways and Streets	-	7,869	-	-	-	-	7,869
Other purposes	-	-	-	1,396	327	113	1,836
Unrestricted	<u>6,081</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,081</u>
Total cash and investment fund balance - December 31	<u>\$ 6,081</u>	<u>\$ 7,869</u>	<u>\$ 7,925</u>	<u>\$ 1,396</u>	<u>\$ 327</u>	<u>\$ 113</u>	<u>\$ 23,711</u>

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

	Riverboat	Local Road and Street	Park and Recreation	Law Enforcement Continuing Education	Levy Excess	Abuse Task Force	Totals
Receipts:							
Taxes	\$ -	\$ -	\$ 2,650	\$ -	\$ -	\$ -	\$ 2,650
Intergovernmental	4,717	3,581	213	8,366	-	-	16,877
Charges for services	-	-	-	281	-	-	281
Total receipts	4,717	3,581	2,863	8,647	-	-	19,808
Disbursements:							
Public safety	-	-	-	9,257	-	-	9,257
Highways and streets	-	2,716	-	-	-	-	2,716
Culture and recreation	-	-	6,796	-	-	-	6,796
Total disbursements	-	2,716	6,796	9,257	-	-	18,769
Excess (deficiency) of receipts over disbursements	4,717	865	(3,933)	(610)	-	-	1,039
Other financing uses:							
Transfers out	-	-	-	-	(327)	-	(327)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,717	865	(3,933)	(610)	(327)	-	712
Cash and investment fund balance - beginning	6,081	7,869	7,925	1,396	327	113	23,711
Cash and investment fund balance - ending	<u>\$ 10,798</u>	<u>\$ 8,734</u>	<u>\$ 3,992</u>	<u>\$ 786</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 24,423</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 10,798	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,798
Restricted assets:							
Cash and investments	-	8,734	3,992	786	-	113	13,625
Total cash and investment assets - December 31	<u>\$ 10,798</u>	<u>\$ 8,734</u>	<u>\$ 3,992</u>	<u>\$ 786</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 24,423</u>
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ 3,992	\$ -	\$ -	\$ -	\$ 3,992
Highways and Streets	-	8,734	-	-	-	-	8,734
Other purposes	-	-	-	786	-	113	899
Unrestricted	10,798	-	-	-	-	-	10,798
Total cash and investment fund balance - December 31	<u>\$ 10,798</u>	<u>\$ 8,734</u>	<u>\$ 3,992</u>	<u>\$ 786</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ 24,423</u>

TOWN OF LYONS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

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

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 103,331
Infrastructure	8,025
Buildings	799,285
Improvements other than buildings	24,513
Machinery and equipment	<u>280,808</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,215,962</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 336
Construction in progress	1,288,364
Buildings	500,000
Improvements other than buildings	23,784
Machinery and equipment	<u>44,154</u>
 Total Water Utility capital assets	 <u>1,856,638</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	7,867
Buildings	194,013
Improvements other than buildings	8,340

Machinery and equipment

41,546

Total Wastewater Utility capital assets

251,766

Total business-type activities
capital assets

\$ 2,108,404

TOWN OF LYONS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Loan Payable:		
Additions, Improvements, and Extensions	\$ 874,000	\$ 6,470
Wastewater Utility		
Note Payable:		
Wastewater System Improvements	35,576	5,780
Revenue bonds:		
Additions, Improvements, and Extensions	150,000	31,889
Total Wastewater Utility	185,576	37,669
Total business-type activities debt:	\$ 1,059,576	\$ 44,139

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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 LYONS, GREENE COUNTY, INDIANA

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

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

This report is intended solely for the information and use of the Town's management, Town Council, 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

April 2, 2008

TOWN OF LYONS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2006 and 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities Loan	10.760		\$ -	\$ 868,619
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Office of Lieutenant Governor				
Community Development Block Grants/State's Program B04DC180001	14.228	CF-05-223	461,189	12,615
Pass-Through Indiana Housing and Community Development Authority				
Community Development Block Grants/State's Program HD-005-016	14.228		266,712	33,288
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grants/State's Program B07DC180001	14.228	CF-06-228	-	420,000
Total for program			727,901	465,903
Total for federal grantor agency			727,901	465,903
<u>U.S. DEPARTMENT OF JUSTICE</u>				
Pass-Through Indiana Criminal Justice Institute				
Edward Byrne Memorial Justice Assistance Grant Program				
2005-DJ-BX-0759	16.738	05-DJ-055	4,919	-
2006-DJ-BX-0051		06-DJ-047	-	8,366
Total for program			4,919	8,366
Total for federal grantor agency			4,919	8,366
Total federal awards expended			\$ 732,820	\$ 1,342,888

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

TOWN OF LYONS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2006 and 2007. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007
Water and Waste Disposal Systems for Rural Communities	10.760	\$ <u>874,00</u>

TOWN OF LYONS
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 Systems 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 LYONS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF LYONS
EXIT CONFERENCE

The contents of this report were discussed on April 2, 2008, with Kim Flynn, Clerk-Treasurer. Our audit disclosed no material items that warrant comment at this time.