

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

ANNUAL FINANCIAL REPORT

2006

TOWN OF ELLETTSVILLE

MONROE COUNTY, INDIANA



FILED
12/26/2007

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
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
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Funds.....	9
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Funds	10
Notes to Financial Statements	11-18
Required Supplementary Information:	
Schedule of Funding Progress	19
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	20-24
Schedule of Capital Assets.....	25
Schedule of Long-Term Debt	26
Other Reports.....	27
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.....	30-31
Schedule of Expenditures of Federal Awards	32
Note to Schedule of Expenditures of Federal Awards.....	33
Schedule of Findings and Questioned Costs	34
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	35
Exit Conference.....	36

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra C. Hash	01-01-06 to 12-31-07
President of the Town Council	Patrick Stoffers William Evans Dennis L. Williamson Dan Swafford	01-01-06 to 12-08-06 12-09-06 to 12-31-06 01-01-07 to 07-09-07 07-10-07 to 12-31-07
Superintendent of Water Utility	Michael Farmer	01-01-06 to 12-31-07
Superintendent of Wastewater Utility	Jeffery Farmer	01-01-06 to 12-31-07
Superintendent of Storm Water Utility	James W. Ragle	01-22-07 to 12-31-07
Utility Office Manager	Rebecca S. Wines	01-01-06 to 12-31-07



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE TOWN OF ELLETTSVILLE, MONROE 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 Ellettsville (Town), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In accordance with Government Auditing Standards, we have also issued a report dated November 5, 2007, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. Our report on compliance and on internal control over financial reporting should be read along with this report.

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

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

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

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

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

STATE BOARD OF ACCOUNTS

November 5, 2007



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

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 ELLETTSVILLE, MONROE 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 Ellettsville (Town), as of and for the year ended December 31, 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated November 5, 2007. The opinion to the financial statements was unqualified. 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.

We noted certain matters that we reported to management in a separate letter dated November 5, 2007.

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

STATE BOARD OF ACCOUNTS

November 5, 2007

TOWN OF ELLETTSVILLE
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		Totals
					Governmental Activities	Business-Type Activities	
Primary government:							
Governmental activities:							
General government	\$ 531,047	\$ 35,251	\$ 437,504	\$ -	\$ (58,292)	\$ -	\$ (58,292)
Public safety	2,095,251	704,111	353,348	588,975	(448,817)	-	(448,817)
Highways and streets	477,586	10,749	331,161	-	(135,676)	-	(135,676)
Economic development	71,424	1,750	-	-	(69,674)	-	(69,674)
Culture and recreation	49,143	-	35,810	-	(13,333)	-	(13,333)
Debt service	317,918	-	-	-	(317,918)	-	(317,918)
Total governmental activities	<u>3,542,369</u>	<u>751,861</u>	<u>1,157,823</u>	<u>588,975</u>	<u>(1,043,710)</u>	<u>-</u>	<u>(1,043,710)</u>
Business-type activities:							
Water	1,361,490	1,242,173	-	-	-	(119,317)	(119,317)
Wastewater	1,802,660	1,688,732	-	-	-	(113,928)	(113,928)
Total business-type activities	<u>3,164,150</u>	<u>2,930,905</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,245)</u>	<u>(233,245)</u>
Total primary government	<u>\$ 6,706,519</u>	<u>\$ 3,682,766</u>	<u>\$ 1,157,823</u>	<u>\$ 588,975</u>	<u>(1,043,710)</u>	<u>(233,245)</u>	<u>(1,276,955)</u>
General receipts:							
Property taxes					1,650,478	-	1,650,478
Other local sources					143,938	-	143,938
Miscellaneous receipts					79,846	-	79,846
Grants and contributions not restricted to specific programs					1,000	-	1,000
Unrestricted investment earnings					47,032	116,047	158,297
Total general receipts					<u>1,922,294</u>	<u>116,047</u>	<u>2,033,559</u>
Change in net assets					878,584	(117,198)	756,604
Net assets - beginning					<u>632,802</u>	<u>3,019,604</u>	<u>3,652,406</u>
Net assets - ending					<u>\$ 1,511,386</u>	<u>\$ 2,902,406</u>	<u>\$ 4,409,010</u>
<u>Assets</u>							
Cash and investments					\$ 860,122	\$ 692,166	\$ 1,552,288
Restricted assets:							
Cash and investments					<u>651,264</u>	<u>2,205,458</u>	<u>2,856,722</u>
Total assets					<u>\$ 1,511,386</u>	<u>\$ 2,897,624</u>	<u>\$ 4,409,010</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 27,602	\$ -	\$ 27,602
Debt service					203,007	985,625	1,188,632
Public safety					59,804	-	59,804
Highways and streets					154,193	-	154,193
Other purposes					206,658	1,219,833	1,426,491
Unrestricted					<u>860,122</u>	<u>692,166</u>	<u>1,552,288</u>
Total net assets					<u>\$ 1,511,386</u>	<u>\$ 2,897,624</u>	<u>\$ 4,409,010</u>

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

TOWN OF ELLETTSVILLE
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	Assistance to Firefighters Grant	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 863,032	\$ 183,720	\$ -	\$ 603,726	\$ 1,650,478
Licenses and permits	-	-	-	980	980
Intergovernmental	611,527	283,635	585,975	409,599	1,890,736
Charges for services	736,316	10,659	-	3,906	750,881
Other	56,569	1,172	-	38,744	96,485
Total receipts	2,267,444	479,186	585,975	1,056,955	4,389,560
Disbursements:					
General government	527,570	-	-	3,052	530,622
Public safety	1,116,202	-	585,974	310,750	2,012,926
Highways and streets	-	385,298	-	60,861	446,159
Culture and recreation	-	-	-	49,143	49,143
Economic development	71,424	-	-	-	71,424
Debt service:					
Principal	-	-	-	155,000	155,000
Interest	-	-	-	162,918	162,918
Capital outlay:					
General government	-	-	-	425	425
Highways and streets	-	-	-	31,427	31,427
Public safety	-	-	-	82,325	82,325
Total disbursements	1,715,196	385,298	585,974	855,901	3,542,369
Excess of receipts over disbursements	552,248	93,888	1	201,054	847,191
Other financing sources (uses):					
Transfers in	864	-	-	-	864
Transfers out	-	-	-	(864)	(864)
Other receipts	-	-	-	31,393	31,393
Total other financing sources	864	-	-	30,529	31,393
Excess of receipts and other financing sources over disbursements and other financing uses	553,112	93,888	1	231,583	878,584
Cash and investment fund balance - beginning	136,465	39,367	-	456,970	632,802
Cash and investment fund balance - ending	\$ 689,577	\$ 133,255	\$ 1	\$ 688,553	\$ 1,511,386
Cash and Investment Assets - December 31					
Cash and investments	\$ 689,577	\$ -	\$ -	\$ 170,545	\$ 860,122
Restricted assets:					
Cash and investments	-	133,255	1	518,008	651,264
Total cash and investment assets - December 31	\$ 689,577	\$ 133,255	\$ 1	\$ 688,553	\$ 1,511,386
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ 27,602	\$ 27,602
Debt service	-	-	-	203,007	203,007
Public safety	-	-	1	59,803	59,804
Highways and streets	-	133,255	-	20,938	154,193
Other purposes	-	-	-	206,658	206,658
Unrestricted	689,577	-	-	170,545	860,122
Total cash and investment fund balance - December 31	\$ 689,577	\$ 133,255	\$ 1	\$ 688,553	\$ 1,511,386

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

TOWN OF ELLETTSVILLE
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	\$ 1,131,476	\$ -	\$ 1,131,476
Other water receipts	106,197	-	106,197
Measured revenue:			
Residential	-	928,322	928,322
Commercial	-	665,364	665,364
Other	-	94,992	94,992
	<u>1,237,673</u>	<u>1,688,678</u>	<u>2,926,351</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	269,090	265,541	534,631
Employee pensions and benefits	76,811	74,832	151,643
Purchased water	423,664	-	423,664
Purchased power	12,006	95,120	107,126
Sludge removal	-	14,632	14,632
Chemicals	-	8,415	8,415
Material and supplies	127,716	104,326	232,042
Contractual services	146,812	312,202	459,014
Rents	49	49	98
Transportation disbursements	17,207	17,263	34,470
Insurance disbursements	14,172	24,277	38,449
Miscellaneous disbursements	155,518	170,975	326,493
	<u>1,243,045</u>	<u>1,087,632</u>	<u>2,330,677</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(5,372)</u>	<u>601,046</u>	<u>595,674</u>
Nonoperating receipts (disbursements):			
Interest receipts	19,886	91,379	111,265
Miscellaneous receipts	4,500	54	4,554
Debt service of principal	(65,000)	(490,000)	(555,000)
Interest disbursement	(53,445)	(225,028)	(278,473)
	<u>(94,059)</u>	<u>(623,595)</u>	<u>(717,654)</u>
Total nonoperating disbursements			
Deficiency of receipts over disbursements	(99,431)	(22,549)	(121,980)
Cash and investment fund balance - beginning	<u>607,752</u>	<u>2,411,852</u>	<u>3,019,604</u>
Cash and investment fund balance - ending	<u>\$ 508,321</u>	<u>\$ 2,389,303</u>	<u>\$ 2,897,624</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 288,101	\$ 404,065	\$ 692,166
Restricted assets:			
Cash and investments	<u>220,220</u>	<u>1,985,238</u>	<u>2,205,458</u>
Total cash and investment assets - December 31	<u>\$ 508,321</u>	<u>\$ 2,389,303</u>	<u>\$ 2,897,624</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 147,154	\$ 838,471	\$ 985,625
Other purposes	73,066	1,146,767	1,219,833
Unrestricted	<u>288,101</u>	<u>404,065</u>	<u>692,166</u>
Total cash and investment fund balance - December 31	<u>\$ 508,321</u>	<u>\$ 2,389,303</u>	<u>\$ 2,897,624</u>

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

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

	Agency Fund
Agency fund additions	\$ 1,099,735
Agency fund deductions	1,100,668
Deficiency of total additions over total deductions	(933)
Cash and investment fund balance - beginning	1,002
Cash and investment fund balance - ending	\$ 69

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

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The motor vehicle highway fund accounts for construction, maintenance, and reconstruction of highways, streets and roadways.

The assistance to firefighters grant fund accounts for federal grant funds used to purchase radio equipment for the fire department.

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:

The agency fund accounts for assets held by the Town as an agent for employees.

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

C. Measurement Focus and Basis of Accounting

The government-wide, governmental fund and proprietary fund financial statements are reported using the basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The cash and investment basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash rather than when earned and disbursements are recognized when paid rather than when a liability is incurred. Investment transactions are not presented on the financial statements.

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the enterprise fund statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their enterprise funds, subject to this same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the general fund and the levy excess fund. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

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.

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

E. Receipts and Disbursements

1. Program Receipts

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

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

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.

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

III. Detailed Notes on All Funds

A. Deposits and Investments

1. Deposits

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

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2006, the Town had 100% of its investments in certificates of deposits.

Investment Policies

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town 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 Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Additionally, the Town may enter into repurchase agreements with depositories designated by the State Board of Finance as depositories for state deposits involving the Town'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.

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments.

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>
Other governmental funds	General Fund	<u>\$ 864</u>

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

IV. Other Information

A. Risk Management

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

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; 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.

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Holding Corporation

The Town has entered into two capital leases with the Ellettsville Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. Lease payments during the year totaled \$317,918.

C. Subsequent Events

The Town Council of Ellettsville created a Storm Water Utility. Ordinance 06-26 passed January 22, 2007, established rates and charges for the users of the Storm Water Utility.

D. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

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

Funding Policy and Annual Pension Cost

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

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

TOWN OF ELLETTSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 114,713
Interest on net pension obligation	(2,835)
Adjustment to annual required contribution	3,231
Annual pension cost	115,109
Contributions made	87,637
Increase in net pension obligation	27,472
Net pension obligation, beginning of year	(39,108)
Net pension obligation, end of year	\$ (11,636)
Contribution rates:	
Town	6.5%
Plan members	3%
Actuarial valuation date	07-01-04
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-04	\$ 76,355	118%	\$ (35,659)
	06-30-05	84,534	104%	(39,108)
	06-30-06	115,109	104%	(11,636)

TOWN OF ELLETTSVILLE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-04	\$ 1,147,881	\$ 1,410,059	\$ (262,178)	81%	\$ 1,356,258	(19%)
07-01-05	1,217,582	1,703,567	(485,985)	71%	1,479,992	(33%)
07-01-06	1,496,614	1,764,007	(267,393)	85%	1,425,281	(19%)

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

	Local Road and Street	Park and Recreation	Rainy Day Fund	Christmas Decorations Donations	Law Enforcement Continuing Education	Disaster Relief Fund	Donations for Tornado Siren
Receipts:							
Taxes	\$ -	\$ 20,902	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	980	-	-
Intergovernmental	47,526	2,310	-	-	-	-	-
Charges for services	-	-	-	-	3,906	-	-
Other	5,000	423	-	-	-	-	-
Total receipts	52,526	23,635	-	-	4,886	-	-
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	4,783	-	-
Highways and streets	60,861	-	-	-	-	-	-
Culture and recreation	-	10,288	-	75	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
General government	-	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Total disbursements	60,861	10,288	-	75	4,783	-	-
Excess (deficiency) of receipts over disbursements	(8,335)	13,347	-	(75)	103	-	-
Other financing sources:							
Transfers out	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(8,335)	13,347	-	(75)	103	-	-
Cash and investment fund balance - beginning	29,273	8,679	48,988	107	9,166	155	540
Cash and investment fund balance - ending	\$ 20,938	\$ 22,026	\$ 48,988	\$ 32	\$ 9,269	\$ 155	\$ 540
Cash and Investment Assets - December 31							
Cash and investments	\$ -	\$ -	\$ 48,988	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	20,938	22,026	-	32	9,269	155	540
Total cash and investment assets - December 31	\$ 20,938	\$ 22,026	\$ 48,988	\$ 32	\$ 9,269	\$ 155	\$ 540
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ 22,026	\$ -	\$ 32	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-	-
Public Safety	-	-	-	-	9,269	155	540
Highways and Streets	20,938	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-
Unrestricted	-	-	48,988	-	-	-	-
Total cash and investment fund balance - December 31	\$ 20,938	\$ 22,026	\$ 48,988	\$ 32	\$ 9,269	\$ 155	\$ 540

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

	Drug Awareness	Drug Education and Equipment	Ellettsville Government Center	Fall Festival Build Indiana Grant	Fire Dept Communication Equipment	K-9 and Hauler
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	3,000	-	33,500	5,000	-
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	6,000	3,625
Total receipts	-	3,000	-	33,500	11,000	3,625
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	3,000	23,907	-	5,000	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	33,500	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Total disbursements	-	3,000	23,907	33,500	5,000	-
Excess (deficiency) of receipts over disbursements	-	-	(23,907)	-	6,000	3,625
Other financing sources:						
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	-	(23,907)	-	6,000	3,625
Cash and investment fund balance - beginning	20	-	145,464	-	3,000	8,665
Cash and investment fund balance - ending	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 121,557</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 12,290</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ 121,557	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	20	-	-	-	9,000	12,290
Total cash and investment assets - December 31	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 121,557</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 12,290</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Public Safety	20	-	-	-	9,000	12,290
Highways and Streets	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	121,557	-	-	-
Total cash and investment fund balance - December 31	<u>\$ 20</u>	<u>\$ -</u>	<u>\$ 121,557</u>	<u>\$ -</u>	<u>\$ 9,000</u>	<u>\$ 12,290</u>

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

	Memorial Park Maintenance	OWI/Seatbelt Grant	Police Dept Construction	Skate Park Donations	Skate Park Grant/Build Indiana	South Central Narcotics Strike Force
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	262
Charges for services	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total receipts	-	-	-	-	-	262
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	9,917	-	-	1,500
Highways and streets	-	-	-	-	-	-
Culture and recreation	189	-	-	-	5,091	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Total disbursements	189	-	9,917	-	5,091	1,500
Excess (deficiency) of receipts over disbursements	(189)	-	(9,917)	-	(5,091)	(1,238)
Other financing sources:						
Transfers out	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(189)	-	(9,917)	-	(5,091)	(1,238)
Cash and investment fund balance - beginning	4,569	111	23,794	471	5,784	4,956
Cash and investment fund balance - ending	\$ 4,380	\$ 111	\$ 13,877	\$ 471	\$ 693	\$ 3,718
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	4,380	111	13,877	471	693	3,718
Total cash and investment assets - December 31	\$ 4,380	\$ 111	\$ 13,877	\$ 471	\$ 693	\$ 3,718
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ 4,380	\$ -	\$ -	\$ 471	\$ 693	\$ -
Debt service	-	-	-	-	-	-
Public Safety	-	111	13,877	-	-	3,718
Highways and Streets	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 4,380	\$ 111	\$ 13,877	\$ 471	\$ 693	\$ 3,718

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

	Street Light Donations	U.S. Dept of Justice Forfeiture	Volunteer Firemen	Developer's Escrow	Fire Dept Construction	Levy Excess
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	338	235,000	-	-	-
Charges for services	-	-	-	-	-	-
Other	1,236	-	15,205	1,253	-	-
Total receipts	1,236	338	250,205	1,253	-	-
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	2,449	260,000	-	194	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Total disbursements	-	2,449	260,000	-	194	-
Excess (deficiency) of receipts over disbursements	1,236	(2,111)	(9,795)	1,253	(194)	-
Other financing sources:						
Transfers out	-	-	-	-	-	(864)
Other receipts	-	-	-	31,393	-	-
Total other financing sources	-	-	-	31,393	-	(864)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	1,236	(2,111)	(9,795)	32,646	(194)	(864)
Cash and investment fund balance - beginning	-	6,938	13,717	-	1,032	864
Cash and investment fund balance - ending	\$ 1,236	\$ 4,827	\$ 3,922	\$ 32,646	\$ 838	\$ -
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:						
Cash and investments	1,236	4,827	3,922	32,646	838	-
Total cash and investment assets - December 31	\$ 1,236	\$ 4,827	\$ 3,922	\$ 32,646	\$ 838	\$ -
Cash and Investment Fund Balance - December 31						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Debt service	-	-	-	-	-	-
Public Safety	1,236	4,827	3,922	-	838	-
Highways and Streets	-	-	-	-	-	-
Other purposes	-	-	-	32,646	-	-
Unrestricted	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 1,236	\$ 4,827	\$ 3,922	\$ 32,646	\$ 838	\$ -

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

	Fire Debt Service	Police Dept Service	Cumulative Capital Improvement	Cumulative Capital Development	Cumulative Building and Equipment	Totals
Receipts:						
Taxes	\$ 230,959	\$ 224,692	\$ -	\$ 76,304	\$ 50,869	\$ 603,726
Licenses and permits	-	-	-	-	-	980
Intergovernmental	25,573	24,878	18,141	8,442	5,629	409,599
Charges for services	-	-	-	-	-	3,906
Other	-	-	-	-	6,002	38,744
Total receipts	256,532	249,570	18,141	84,746	62,500	1,056,955
Disbursements:						
General government	1,500	1,552	-	-	-	3,052
Public safety	-	-	-	-	-	310,750
Highways and streets	-	-	-	-	-	60,861
Culture and recreation	-	-	-	-	-	49,143
Debt service:						
Principal	80,000	75,000	-	-	-	155,000
Interest	82,625	80,293	-	-	-	162,918
Capital outlay:						
General government	-	-	-	425	-	425
Highways and streets	-	-	31,427	-	-	31,427
Public safety	-	-	-	44,923	37,402	82,325
Total disbursements	164,125	156,845	31,427	45,348	37,402	855,901
Excess (deficiency) of receipts over disbursements	92,407	92,725	(13,286)	39,398	25,098	201,054
Other financing sources:						
Transfers out	-	-	-	-	-	(864)
Other receipts	-	-	-	-	-	31,393
Total other financing sources	-	-	-	-	-	30,529
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	92,407	92,725	(13,286)	39,398	25,098	231,583
Cash and investment fund balance - beginning	10,377	7,498	49,950	27,644	45,208	456,970
Cash and investment fund balance - ending	<u>\$ 102,784</u>	<u>\$ 100,223</u>	<u>\$ 36,664</u>	<u>\$ 67,042</u>	<u>\$ 70,306</u>	<u>\$ 688,553</u>
Cash and Investment Assets - December 31						
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 170,545
Restricted assets:						
Cash and investments	102,784	100,223	36,664	67,042	70,306	518,008
Total cash and investment assets - December 31	<u>\$ 102,784</u>	<u>\$ 100,223</u>	<u>\$ 36,664</u>	<u>\$ 67,042</u>	<u>\$ 70,306</u>	<u>\$ 688,553</u>
Cash and Investment Fund Balance - December 31						
Restricted for:						
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,602
Debt service	102,784	100,223	-	-	-	203,007
Public Safety	-	-	-	-	-	59,803
Highways and Streets	-	-	-	-	-	20,938
Other purposes	-	-	36,664	67,042	70,306	206,658
Unrestricted	-	-	-	-	-	170,545
Total cash and investment fund balance - December 31	<u>\$ 102,784</u>	<u>\$ 100,223</u>	<u>\$ 36,664</u>	<u>\$ 67,042</u>	<u>\$ 70,306</u>	<u>\$ 688,553</u>

TOWN OF ELLETTSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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

General infrastructure assets completed in the current year has been reported. Retroactive reporting of general infrastructure assets will occur by January 2008.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 535,000
Infrastructure	11,671
Buildings	3,221,995
Improvements other than buildings	15,000
Machinery and equipment	<u>2,229,171</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 6,012,837</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 32,500
Capital assets, being depreciated:	
Buildings	1,260,179
Improvements other than buildings	4,772,368
Machinery and equipment	<u>354,124</u>
 Total Water Utility capital assets	 <u>6,419,171</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	112,210
Capital assets, being depreciated:	
Buildings	8,164,631
Improvements other than buildings	3,509,971
Machinery and equipment	<u>777,442</u>
 Total Wastewater Utility capital assets	 <u>12,564,254</u>
 Total business-type activities capital assets	 <u>\$ 18,983,425</u>

TOWN OF ELLETTSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Police Station	\$ 1,875,000	\$ 80,000
Fire Station	1,885,000	80,000
2006 Ford Explorer-EMS	11,605	11,605
Notes and loans payable	<u>598,165</u>	<u>101,704</u>
Total governmental activities long-term debt	<u>\$ 4,369,770</u>	<u>\$ 273,309</u>
Business-type Activities:		
Water Utility		
Revenue bonds:		
Storage Tank and Supply Main	<u>\$ 1,015,000</u>	<u>\$ 70,000</u>
Wastewater Utility		
Notes and Loans Payable	<u>5,945,000</u>	<u>505,000</u>
Total business-type activities long-term debt:	<u>\$ 6,960,000</u>	<u>\$ 575,000</u>

TOWN OF ELLETTSVILLE
OTHER REPORTS

The annual report presented herein was prepared in addition to another official report prepared for the individual Town offices listed below:

Water Utility
Wastewater Utility

(This page intentionally left blank.)

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 ELLETTSVILLE, MONROE COUNTY, INDIANA

Compliance

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States 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 year ended December 31, 2006.

Internal Control Over Compliance

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

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

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

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

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

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

STATE BOARD OF ACCOUNTS

November 5, 2007

TOWN OF ELLETTSVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2006

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Pass-Through Indiana Department of Natural Resources Cooperative Forestry Assistance	10.664		\$ 5,000
Total for federal grantor agency			<u>5,000</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205		<u>62,297</u>
Total for federal grantor agency			<u>62,297</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Direct Grant Assistance to Firefighters Grant EMW-2005-FG-11780	97.044		585,974
Total for federal grantor agency			<u>585,974</u>
Total federal awards expended			<u>\$ 653,271</u>

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

TOWN OF ELLETTSVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Ellettsville (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.

TOWN OF ELLETTSVILLE
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
Significant deficiencies 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
Significant deficiencies 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
97.044	Assistance to Firefighters Grant

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 ELLETTSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF ELLETTSVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 5, 2007, with Dan Swafford, President of the Town Council; Sandra C. Hash, Clerk-Treasurer; and Phill Smith, Council Member. Our audit disclosed no material items that warrant comment at this time.