

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2765**

ANNUAL FINANCIAL REPORT

2003

TOWN OF HEBRON

PORTER COUNTY, INDIANA



**FILED**  
08/07/2006



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### SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Fred M. Siminski	01-01-03 to 12-31-03
	Jamie E. Uzelac	01-01-04 to 12-31-07
President of the Town Council and the Utility Service Board	Brent Harting	01-01-03 to 12-31-03
	Donald Ensign	01-01-04 to 12-31-04
	Pete Breuckman	01-01-05 to 12-31-06
President of the Stormwater Board	David Diehl	01-01-03 to 08-10-04
	Marianne Struble	08-11-04 to 03-08-05
	Peter Barlow	03-09-05 to 10-03-05
	Jay Rans	10-04-05 to 02-28-06
	Bruce Torbeson	03-01-06 to 12-31-06
Director of Public Works	Perry Vannest	01-01-03 to 10-04-05
	Vacant	10-05-05 to 12-31-05
	Steven Martin	01-01-06 to 12-31-06



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF HEBRON, PORTER COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Hebron (Town), as of and for the year ended December 31, 2003, 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, 2003, 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 June 29, 2006, 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 Debt are presented for additional analysis and are not a required part 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 Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 29, 2006



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF HEBRON, PORTER COUNTY, INDIANA

We have audited the financial statements of the Town of Hebron (Town), as of and for the year ended December 31, 2003, and have issued our report thereon dated June 29, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

We noted certain immaterial instances of noncompliance that we have discussed with the management of the Town on June 29, 2006. These immaterial instances of noncompliance were subsequently communicated to management in a separate letter.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

June 29, 2006

TOWN OF HEBRON  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2003

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	Total
Primary government:							
Governmental activities:							
General government	\$ 352,030	\$ 39,999	\$ 22,739	\$ 13,000	\$ (276,292)	\$ -	\$ (276,292)
Public safety	356,539	2,064	3,659	3,825	(346,991)	-	(346,991)
Highways and streets	124,908	-	110,818	37,165	23,075	-	23,075
Sanitation	108,504	105,664	-	-	(2,840)	-	(2,840)
Culture and recreation	22,261	20,906	-	-	(1,355)	-	(1,355)
Interest on long-term debt	1,385	-	-	-	(1,385)	-	(1,385)
Total governmental activities	<u>965,627</u>	<u>168,633</u>	<u>137,216</u>	<u>53,990</u>	<u>(605,788)</u>	<u>-</u>	<u>(605,788)</u>
Business-type activities:							
Water	1,673,582	543,088	-	978,043	-	(152,451)	(152,451)
Wastewater	829,342	675,780	-	-	-	(153,562)	(153,562)
Stormwater	60,855	77,441	-	-	-	16,586	16,586
Total business-type activities	<u>2,563,779</u>	<u>1,296,309</u>	<u>-</u>	<u>978,043</u>	<u>-</u>	<u>(289,427)</u>	<u>(289,427)</u>
Total primary government	<u>\$ 3,529,406</u>	<u>\$ 1,464,942</u>	<u>\$ 137,216</u>	<u>\$ 1,032,033</u>	<u>(605,788)</u>	<u>(289,427)</u>	<u>(895,215)</u>
General receipts:							
Property taxes					415,989	-	415,989
Other local sources					118,772	-	118,772
Payments in lieu of taxes					51,000	-	51,000
Other receipts					4,396	107,395	111,791
Refunds/reimbursements					18,396	18,183	36,579
Unrestricted investment earnings					1,639	31,070	32,709
Total general receipts					<u>610,192</u>	<u>156,648</u>	<u>766,840</u>
Change in net assets					4,404	(132,779)	(128,375)
Net assets - beginning					<u>304,494</u>	<u>1,542,871</u>	<u>1,847,365</u>
Net assets - ending					<u>\$ 308,898</u>	<u>\$ 1,410,092</u>	<u>\$ 1,718,990</u>
<u>Assets</u>							
Cash and investments					\$ 156,833	\$ 620,693	\$ 777,526
Restricted assets:							
Cash and investments					<u>152,065</u>	<u>789,399</u>	<u>941,464</u>
Total assets					<u>\$ 308,898</u>	<u>\$ 1,410,092</u>	<u>\$ 1,718,990</u>
<u>Net Assets</u>							
Restricted for:							
Capital projects					\$ 115,098	\$ -	\$ 115,098
Highways/streets					25,956	-	25,956
Debt service					-	649,580	649,580
Other purposes					11,011	139,819	150,830
Unrestricted					<u>156,833</u>	<u>620,693</u>	<u>777,526</u>
Total net assets					<u>\$ 308,898</u>	<u>\$ 1,410,092</u>	<u>\$ 1,718,990</u>

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

TOWN OF HEBRON  
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,  
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2003

	General	Local Road and Street	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 393,987	\$ -	\$ 22,002	\$ 415,989
Licenses and permits	6,640	-	500	7,140
Intergovernmental	113,344	37,165	159,469	309,978
Charges for services	65,521	-	106,863	172,384
Fines and forfeits	2,595	-	2,339	4,934
Other	25,730	620	33,256	59,606
	<u>607,817</u>	<u>37,785</u>	<u>324,429</u>	<u>970,031</u>
<b>Total receipts</b>				
<b>Disbursements:</b>				
General government	327,025	-	14,100	341,125
Public safety	308,836	-	5,338	314,174
Highways and streets	-	3,058	113,030	116,088
Sanitation	-	-	108,504	108,504
Culture and recreation	1,131	-	10,811	11,942
<b>Debt service:</b>				
Principal	-	-	24,146	24,146
Interest	-	-	1,385	1,385
<b>Capital outlay:</b>				
Highways and streets	-	-	16,920	16,920
Special assessments	21,739	-	9,604	31,343
	<u>658,731</u>	<u>3,058</u>	<u>303,838</u>	<u>965,627</u>
<b>Total disbursements</b>				
Excess (deficiency) of revenue over (under) disbursements	<u>(50,914)</u>	<u>34,727</u>	<u>20,591</u>	<u>4,404</u>
<b>Other financing sources (uses)</b>				
Transfers in	26	-	-	26
Transfers out	-	-	(26)	(26)
	<u>26</u>	<u>-</u>	<u>(26)</u>	<u>-</u>
<b>Total other financing sources (uses)</b>				
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	<u>(50,888)</u>	<u>34,727</u>	<u>20,565</u>	<u>4,404</u>
Cash and investment fund balance - beginning	<u>130,192</u>	<u>68,338</u>	<u>105,964</u>	<u>304,494</u>
Cash and investment fund balance - ending	<u>\$ 79,304</u>	<u>\$ 103,065</u>	<u>\$ 126,529</u>	<u>\$ 308,898</u>
<b><u>Cash and Investment Assets - December 31</u></b>				
Cash and investments	\$ 79,304	\$ -	\$ 77,529	\$ 156,833
<b>Restricted assets:</b>				
Cash and investments	-	103,065	49,000	152,065
Total cash and investment assets - December 31	<u>\$ 79,304</u>	<u>\$ 103,065</u>	<u>\$ 126,529</u>	<u>\$ 308,898</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>				
<b>Restricted for:</b>				
Capital projects	\$ -	\$ 103,065	\$ 12,033	\$ 115,098
Highways/streets	-	-	25,956	25,956
Other purposes	-	-	11,011	11,011
Unrestricted	79,304	-	77,529	156,833
Total cash and investment fund balance - December 31	<u>\$ 79,304</u>	<u>\$ 103,065</u>	<u>\$ 126,529</u>	<u>\$ 308,898</u>

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

TOWN OF HEBRON  
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, 2003

	Water Utility	Wastewater Utility	Stormwater Utility	Total
Operating receipts:				
Unmetered water receipts	\$ 5,844	\$ 8,363	\$ -	\$ 14,207
Metered water receipts:				
Residential	442,446	584,480	-	1,026,926
Commercial	63,300	82,937	-	146,237
Fire protection receipts	31,498	-	-	31,498
Flat rate receipts	-	-	77,441	77,441
	<u>543,088</u>	<u>675,780</u>	<u>77,441</u>	<u>1,296,309</u>
Total operating receipts				
Operating disbursements:				
Equipment and capital improvements	1,088,589	24,029	8,307	1,120,925
Operations and maintenance	-	-	3,925	3,925
Customer deposits	16,450	-	-	16,450
Other	6,604	-	29,956	36,560
Salaries and wages	94,268	246,350	17,368	357,986
Employee pensions and benefits	32,686	81,878	1,299	115,863
Purchased power	38,460	50,553	-	89,013
Sludge removal	-	13,455	-	13,455
Chemicals	3,405	2,003	-	5,408
Material and supplies	71,552	30,516	-	102,068
Contractual services	13,131	2,448	-	15,579
Rents	5,052	1,370	-	6,422
Transportation disbursements	7,743	23,258	-	31,001
Insurance disbursements	4,934	18,689	-	23,623
Payment in lieu of taxes	16,000	35,000	-	51,000
Miscellaneous disbursements	75,154	58,618	-	133,772
	<u>1,474,028</u>	<u>588,167</u>	<u>60,855</u>	<u>2,123,050</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>(930,940)</u>	<u>87,613</u>	<u>16,586</u>	<u>(826,741)</u>
Nonoperating receipts (disbursements):				
Interest and investment receipts	4,812	17,001	9,257	31,070
Miscellaneous receipts	115,778	9,800	-	125,578
Debt service of principal	(100,000)	(130,000)	-	(230,000)
Interest and investment disbursement	(99,554)	(111,175)	-	(210,729)
	<u>(78,964)</u>	<u>(214,374)</u>	<u>9,257</u>	<u>(284,081)</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over (under) disbursements and nonoperating receipts (disbursements)	<u>(1,009,904)</u>	<u>(126,761)</u>	<u>25,843</u>	<u>(1,110,822)</u>
Capital contributions	978,043	-	-	978,043
Interfund loans received	20,000	91,990	265,000	376,990
Interfund loans repaid	(91,990)	(20,000)	(265,000)	(376,990)
Transfers in	671,311	809,576	319,050	1,799,937
Transfers out	(671,311)	(809,576)	(319,050)	(1,799,937)
	<u>(103,851)</u>	<u>(54,771)</u>	<u>25,843</u>	<u>(132,779)</u>
Excess (deficiency) of receipts, contributions and transfers in over (under) disbursements and transfers out				
Cash and investment fund balance - beginning	<u>462,717</u>	<u>621,114</u>	<u>459,040</u>	<u>1,542,871</u>
Cash and investment fund balance - ending	<u>\$ 358,866</u>	<u>\$ 566,343</u>	<u>\$ 484,883</u>	<u>\$ 1,410,092</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 124,406	\$ 11,404	\$ 484,883	\$ 620,693
Restricted assets:				
Cash and investments	234,460	554,939	-	789,399
Total cash and investment assets - December 31	<u>\$ 358,866</u>	<u>\$ 566,343</u>	<u>\$ 484,883</u>	<u>\$ 1,410,092</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 139,479	\$ 510,101	\$ -	\$ 649,580
Other purposes	94,981	44,838	-	139,819
Unrestricted	124,406	11,404	484,883	620,693
Total cash and investment fund balance - December 31	<u>\$ 358,866</u>	<u>\$ 566,343</u>	<u>\$ 484,883</u>	<u>\$ 1,410,092</u>

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

TOWN OF HEBRON  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUNDS  
For The Year Ended December 31, 2003

	Agency Funds
Additions:	
Agency fund additions	\$ 793,308
Deductions:	
Agency fund deductions	795,151
Deficiency of total additions under total deductions	(1,843)
Cash and investment fund balance - beginning	11,406
Cash and investment fund balance - ending	\$ 9,563

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

TOWN OF HEBRON  
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, planning and zoning, general administrative services, water, wastewater, and stormwater.

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

Primary Government

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

The local road and street fund accounts for the operation and maintenance of the local road and street systems. Resources are derived from state gasoline tax distributions.

The Town reports the following major proprietary funds:

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

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

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The storm water utility fund accounts for the operation of the storm water collection system.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for federal, state, and other local governmental entities and payroll deductions.

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 Town and the utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

- a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments (2) law through constitutional provisions or enabling legislations.
- 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

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities are provided to people outside the government (enterprise funds) or other departments or agencies primarily within the government (internal service funds).

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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 – Cash and Investment Basis.

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

On or before August 31, 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 within the fund for the General Fund and for all other budgeted funds.

B. Disbursements in Excess of Appropriations

For the year ended December 31, 2003, disbursements exceeded budgeted appropriations in the following fund by the amount below:

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Fund	2003
Riverboat State Distribution Fund	\$ 14,100

These disbursements were funded by available fund balance in the Riverboat state distribution fund.

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. 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 year ended December 31, 2003, were as follows:

Transfer From	Transfer To	2003
Other governmental	General Fund	\$ 26

The Town typically uses transfers to fund ongoing operating subsidies and to transfer the portion of state-shared revenues from the General Fund to the debt service fund for current-year debt service requirements.

C. Restatements and Reclassifications

For the year ended December 31, 2003, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by opinion unit.

Opinion Unit	Balance as Reported December 31, 2002	Fund Reclassification	Balance as Restated January 1, 2003
Fiduciary Fund	\$ 2,294	\$ (2,294)	\$ -
Governmental activities	761,240	(456,746)	304,494
Business type activities	1,083,831	459,040	1,542,871

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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. Subsequent Events

The Town issued sewage works revenue bonds totaling \$900,000 on October 20, 2005, with the proceeds to be used for wastewater plant improvements.

C. Contingent Liabilities

The Town is a defendant in a lawsuit in the amount of \$109,809 alleging breach of contract by a Contractor. Per the attorney, it is unlikely there will be any substantial loss to the Town.

D. Rate Structure – Enterprise Funds

Water Utility

On March 21, 1989, the Town Council adopted Ordinance No. 1989-4 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on April 18, 1995. Additionally, the Town Council approved Ordinance No. 2001-03-20 on April 11, 2001, to increase water rates.

Wastewater Utility

The current rate structure was approved by the Town Council on July 19, 2005.

Stormwater Utility

The current rate structure was approved by the Stormwater Board on February 13, 2001.

E. 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.

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of member's contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

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

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

Funding Policy and Annual Pension Cost

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

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

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 10,708
Interest on net pension obligation	(2,263)
Adjustment to annual required contribution	2,579
Annual pension cost	11,024
Contributions made	17,283
Decrease in net pension obligation	(6,259)
Net pension obligation, beginning of year	(31,211)
Net pension obligation, end of year	\$ (37,470)

TOWN OF HEBRON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

	PERF
Contribution rates:	
Town	3%
Plan members	3%
Actuarial valuation date	07-01-05
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	06-30-03	\$ 17,672	109%	\$ (27,692)
	06-30-04	13,801	125%	(31,211)
	06-30-05	11,024	125%	(37,470)

TOWN OF HEBRON  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-03	\$ 400,108	\$ 303,135	\$ 96,973	132%	\$ 479,864	20%
07-01-04	403,445	314,460	88,985	128%	399,829	22%
07-01-05	417,013	378,066	38,947	110%	380,393	10%

TOWN OF HEBRON  
 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, 2003

	Motor Vehicle Highway	Law Enforcement Continuing Education	Leaf Collection	Garbage Fund	Community Center Operating	Community Policing	Riverboat State Distribution Fund	ICJI Local Law Enforcement Block Grant 2001
<b>Receipts:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	470	-	-	-	-	-	-
Intergovernmental	110,818	-	-	-	-	-	22,739	-
Charges for services	-	1,199	-	105,664	-	-	-	-
Fines and forfeits	-	1,944	-	-	-	-	-	-
Other	5,776	-	-	218	20,906	-	-	-
<b>Total receipts</b>	<b>116,594</b>	<b>3,613</b>	<b>-</b>	<b>105,882</b>	<b>20,906</b>	<b>-</b>	<b>22,739</b>	<b>-</b>
<b>Disbursements:</b>								
General government	-	-	-	-	-	-	14,100	-
Public safety	-	689	-	-	-	-	-	-
Highways and streets	113,030	-	-	-	-	-	-	-
Sanitation	-	-	839	107,665	-	-	-	-
Culture and recreation	-	-	-	-	10,394	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Capital outlay:								
Highways and streets	8,300	-	-	-	-	-	-	-
Other	-	870	-	-	-	-	-	-
<b>Total disbursements</b>	<b>121,330</b>	<b>1,559</b>	<b>839</b>	<b>107,665</b>	<b>10,394</b>	<b>-</b>	<b>14,100</b>	<b>-</b>
Excess (deficiency) of revenue over (under) disbursements	(4,736)	2,054	(839)	(1,783)	10,512	-	8,639	-
Other financing sources (uses)								
Transfers out	-	-	-	-	-	(16)	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(16)</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(4,736)	2,054	(839)	(1,783)	10,512	(16)	8,639	-
Cash and investment fund balance - beginning	30,692	5,372	839	20,444	33,788	16	-	257
Cash and investment fund balance - ending	<u>\$ 25,956</u>	<u>\$ 7,426</u>	<u>\$ -</u>	<u>\$ 18,661</u>	<u>\$ 44,300</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ 257</u>
<b>Cash and Investment Assets - December 31</b>								
Cash and investments	\$ -	\$ -	\$ -	\$ 18,661	\$ 44,300	\$ -	\$ 8,639	\$ -
Restricted assets:								
Cash and investments	25,956	7,426	-	-	-	-	-	257
<b>Total cash and investment assets - December 31</b>	<u>\$ 25,956</u>	<u>\$ 7,426</u>	<u>\$ -</u>	<u>\$ 18,661</u>	<u>\$ 44,300</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ 257</u>
<b>Cash and Investment Fund Balance - December 31</b>								
Restricted for:								
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways/streets	25,956	-	-	-	-	-	-	-
Other purposes	-	7,426	-	-	-	-	-	257
Unrestricted	-	-	-	18,661	44,300	-	8,639	-
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 25,956</u>	<u>\$ 7,426</u>	<u>\$ -</u>	<u>\$ 18,661</u>	<u>\$ 44,300</u>	<u>\$ -</u>	<u>\$ 8,639</u>	<u>\$ 257</u>

TOWN OF HEBRON  
 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,  
 (Continued)

	ICJI Local Law Enforcement Block Grant 2002	2002 Porter County SAC DF Video Camera	2003 Porter County SAC DF Video Camera	2003 Porter County SAC DF Intox Grant	ICJI OPO Porter County Grant 2002	2003 Porter County DUI Task Force Grant	Police Equipment
Receipts:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	30
Intergovernmental	-	-	3,825	850	809	2,000	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	395
Other	-	-	-	-	-	-	-
Total receipts	-	-	3,825	850	809	2,000	425
Disbursements:							
General government	-	-	-	-	-	-	-
Public safety	1,214	-	-	850	281	2,000	-
Highways and streets	-	-	-	-	-	-	-
Sanitation	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Capital outlay:							
Highways and streets	-	-	-	-	-	-	-
Other	-	-	3,825	-	-	-	-
Total disbursements	1,214	-	3,825	850	281	2,000	-
Excess (deficiency) of revenue over (under) disbursements	(1,214)	-	-	-	528	-	425
Other financing sources (uses)							
Transfers out	-	(10)	-	-	-	-	-
Total other financing sources (uses)	-	(10)	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(1,214)	(10)	-	-	528	-	425
Cash and investment fund balance - beginning	2,721	10	-	-	405	-	463
Cash and investment fund balance - ending	\$ 1,507	\$ -	\$ -	\$ -	\$ 933	\$ -	\$ 888
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets:							
Cash and investments	1,507	-	-	-	933	-	888
Total cash and investment assets - December 31	\$ 1,507	\$ -	\$ -	\$ -	\$ 933	\$ -	\$ 888
<u>Cash and Investment Fund Balance - December 31</u>							
Restricted for:							
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Highways/streets	-	-	-	-	-	-	-
Other purposes	1,507	-	-	-	933	-	888
Unrestricted	-	-	-	-	-	-	-
Total cash and investment fund balance - December 31	\$ 1,507	\$ -	\$ -	\$ -	\$ 933	\$ -	\$ 888

TOWN OF HEBRON  
 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,  
 (Continued)

	Police Gift	Park and Recreation Savings Gift	Downtown Beautification	Police Undercover	Cumulative Capital Improvement	Cumulative Capital Development	Totals
<b>Receipts:</b>							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,002	\$ 22,002
Licenses and permits	-	-	-	-	-	-	500
Intergovernmental	-	-	-	-	13,000	5,428	159,469
Charges for services	-	-	-	-	-	-	106,863
Fines and forfeits	-	-	-	-	-	-	2,339
Other	40	266	1,386	2,664	2,000	-	33,256
<b>Total receipts</b>	<b>40</b>	<b>266</b>	<b>1,386</b>	<b>2,664</b>	<b>15,000</b>	<b>27,430</b>	<b>324,429</b>
<b>Disbursements:</b>							
General government	-	-	-	-	-	-	14,100
Public safety	304	-	-	-	-	-	5,338
Highways and streets	-	-	-	-	-	-	113,030
Sanitation	-	-	-	-	-	-	108,504
Culture and recreation	-	417	-	-	-	-	10,811
Debt service:							
Principal	-	-	-	-	-	24,146	24,146
Interest	-	-	-	-	-	1,385	1,385
Capital outlay:							
Highways and streets	-	-	-	-	-	8,620	16,920
Other	-	-	-	-	4,909	-	9,604
<b>Total disbursements</b>	<b>304</b>	<b>417</b>	<b>-</b>	<b>-</b>	<b>4,909</b>	<b>34,151</b>	<b>303,838</b>
Excess (deficiency) of revenue over (under) disbursements	(264)	(151)	1,386	2,664	10,091	(6,721)	20,591
<b>Other financing sources (uses)</b>							
Transfers out	-	-	-	-	-	-	(26)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(26)</b>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(264)	(151)	1,386	2,664	10,091	(6,721)	20,565
Cash and investment fund balance - beginning	613	1,681	-	-	1,109	7,554	105,964
Cash and investment fund balance - ending	<u>\$ 349</u>	<u>\$ 1,530</u>	<u>\$ 1,386</u>	<u>\$ 2,664</u>	<u>\$ 11,200</u>	<u>\$ 833</u>	<u>\$ 126,529</u>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 349	\$ 1,530	\$ 1,386	\$ 2,664	\$ -	\$ -	\$ 77,529
Restricted assets:							
Cash and investments	-	-	-	-	11,200	833	49,000
<b>Total cash and investment assets - December 31</b>	<u>\$ 349</u>	<u>\$ 1,530</u>	<u>\$ 1,386</u>	<u>\$ 2,664</u>	<u>\$ 11,200</u>	<u>\$ 833</u>	<u>\$ 126,529</u>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Capital projects	\$ -	\$ -	\$ -	\$ -	\$ 11,200	\$ 833	\$ 12,033
Highways/streets	-	-	-	-	-	-	25,956
Other purposes	-	-	-	-	-	-	11,011
Unrestricted	349	1,530	1,386	2,664	-	-	77,529
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 349</u>	<u>\$ 1,530</u>	<u>\$ 1,386</u>	<u>\$ 2,664</u>	<u>\$ 11,200</u>	<u>\$ 833</u>	<u>\$ 126,529</u>

TOWN OF HEBRON  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2003

	Payroll	Park Board Clearing Fund	Total
Additions:			
Agency fund additions	\$ 792,891	\$ 417	\$ 793,308
Deductions:			
Agency fund deductions	794,734	417	795,151
Deficiency of total additions under total deductions	(1,843)	-	(1,843)
Cash and investment fund balance - beginning	11,406	-	11,406
Cash and investment fund balance - ending	\$ 9,563	\$ -	\$ 9,563

TOWN OF HEBRON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS  
 For The Year Ended December 31, 2003

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 59,053
Buildings	914,427
Machinery and equipment	<u>370,398</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,343,878</u>
 <u>Primary Government</u>	
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 92,075
Construction in progress	1,087,195
Buildings	423,000
Improvements other than buildings	2,197,650
Machinery and equipment	<u>2,014,750</u>
 Total Water Utility capital assets	 <u>5,814,670</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	22,992
Buildings	490,815
Improvements other than buildings	2,485,778
Machinery and equipment	<u>1,127,972</u>
 Total Wastewater Utility capital assets	 <u>4,127,557</u>
 Total business-type activities capital assets	 <u>\$ 11,286,105</u>

TOWN OF HEBRON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF DEBT  
 For The Year Ended December 31, 2003

	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Bonds of 2001	\$ 2,675,393	\$ 105,000
Wastewater Utility:		
Revenue bonds:		
Refunding bonds of 2001	<u>2,245,000</u>	<u>140,000</u>
Total business-type activities	<u>\$ 4,920,393</u>	<u>\$ 245,000</u>

TOWN OF HEBRON  
AUDIT RESULTS AND COMMENTS

CLAIM DEFICIENCIES

The following deficiencies were found:

- (1) Two travel claims did not have all of the required information on the claim. There were five meals paid on one meal ticket and only one person was listed as traveling. There were multiple rooms paid but there was one person listed on the hotel invoice and on the travel claim.
- (2) There was a lease paid by the Town for a volunteer Fire Department truck. The contract between the Town and the Volunteer Fire Department does not specify any arrangements for purchases of vehicles.
- (3) One of the vendor invoices detail did not agree with the vendor statement. We were unable to determine if the detail or the statement was correct.
- (4) There was a \$600 cancelled check with a corresponding explanation in the ledger mentioning the purchase of gift certificates for town employees. The claim could not be located. The Town has not passed an ordinance authorizing payment of promotional expenses from their budget.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All claims, invoices, receipts, accounts payable vouchers, including those presented to the governing body for approval in accordance with IC 5-11-10, should contain adequate detailed documentation. All claims, invoices, receipts, and accounts payable vouchers regarding reimbursement for meals and expenses for individuals must have specific detailed information of the names of all individuals for whom amounts are claimed, including the nature, name and purpose of the business meeting, to enable the governing body to authorize payment. Payments which do not have proper itemization showing the business nature of the claim may be the personal obligation of the responsible official, employee or other person for whom the claim is made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HEBRON  
AUDIT RESULTS AND COMMENTS  
(Continued)

Indiana Code 36-7-2-7 allows cities and towns to promote economic development and tourism. Such statute replaced a prior law which authorized cities and towns to budget and appropriate funds from the general fund to pay the expense of, or to reimburse city or town officials as the case may be, for expenses incurred in promoting the best interest of the city or town. Accordingly, a Home Rule ordinance needs to be adopted in accordance with Indiana Code 36-1-3 in order to enable a city or town to pay for such expenses. Additionally, an appropriation for such expenses must also be obtained.

RECEIPT REMITTANCE - POLICE DEPARTMENT

Four of the seven reports of collections tested were remitted to the Clerk-Treasurer from 12 to 35 days after the date of collection.

Accident report and gun permit receipts shall be remitted to the Town Clerk-Treasurer at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September, 2003, Page 5)

STORMWATER FEES

The Stormwater Board established fees to be charged and collected for financing stormwater drainage systems. The fees assessed are based upon a property's zoning. The Utility did not assess the fee for church properties and no authorization for the exemption was available for audit

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SUPPLEMENTAL AUDIT OF  
FEDERAL AWARDS



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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

TO: THE OFFICIALS OF THE TOWN OF HEBRON, PORTER COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Hebron (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, 2003. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

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

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2003.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

STATE BOARD OF ACCOUNTS

June 29, 2006

TOWN OF HEBRON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Year Ended December 31, 2003

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 JUSTICE</u>			
Pass-Through Indiana Criminal Justice Institute Local Law Enforcement Block Grant Program	16.592	FY 2002	\$ <u>1,213</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	STP 3464 (006) -DES 9682090	782,435
Highway Safety Cluster Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	2002/2003	<u>281</u>
Total for federal grantor agency			<u>782,716</u>
<u>ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Drinking Water State Revolving Funds SRF - Water Plant Improvement Project	66.468	DW 100153 01	<u>488,674</u>
Total federal awards expended			<u>\$ 1,272,603</u>

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

TOWN OF HEBRON  
NOTE 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 Hebron (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 HEBRON  
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:

Name of Federal Program or Cluster

Highway Planning and Construction Cluster

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 HEBRON  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF HEBRON  
EXIT CONFERENCE

The contents of this report were discussed on June 29, 2006, with Jamie E. Uzelac, Clerk-Treasurer; and David Fishero, Councilman. The officials concurred with our audit findings.

The contents of this report were discussed on June 29, 2006, with Fred M. Siminski, former Clerk-Treasurer.