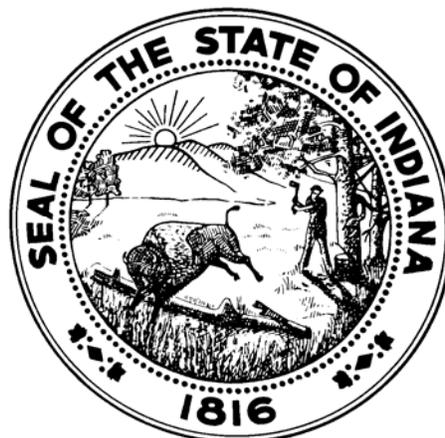


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF SHELburn
SULLIVAN COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
10/02/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Noah Jay Southwood	01-01-04 to 12-31-07
President of the Town Council	James Ward	01-01-04 to 12-31-06
Superintendent of Water Utility	Rodney Clouse	01-01-04 to 12-31-06
Superintendent of Wastewater Utility	Gary Steele	01-01-04 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHELburn, SULLIVAN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Shelburn (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

September 14, 2006

TOWN OF SHELburn
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (1,410)	\$ 246,236	\$ 230,252	\$ 14,574
Accident Report	63	-	-	63
Community Building	491	10,350	10,153	688
Cumulative Capital Development	5,148	6,268	8,400	3,016
Cumulative Capital Improvement	2,841	4,732	7,573	-
Firearms Training	1,201	190	-	1,391
Law Enforcement Continuing Education	278	-	-	278
Levy Excess # 2	1,520	-	1,520	-
Levy Excess # 3	73	-	73	-
Local Road and Street	13,665	115,049	124,019	4,695
Motor Vehicle Highway	4,024	39,342	36,977	6,389
Ordinance Violation	2,970	2,300	5,226	44
Park and Recreation	321	1,444	307	1,458
Payroll	1,990	220,745	215,627	7,108
Riverboat	-	7,996	7,996	-
Proprietary Funds:				
Water Utility - Operating	14,459	583,259	571,147	26,571
Water Utility - Bond and Interest	203,633	145,658	162,692	186,599
Water Utility - Depreciation	925	14,352	15,162	115
Water Utility - Customer Deposit	37,393	12,125	6,600	42,918
Wastewater Utility - Operating	(656)	279,352	270,233	8,463
Wastewater Utility - Bond and Interest	3,865	46,973	45,970	4,868
Wastewater Utility - Depreciation	5,436	12,427	14,900	2,963
Wastewater Utility - Reserve Fund	50,035	14,210	14,210	50,035
Stormwater Utility - Other	-	30,000	26,250	3,750
Totals	<u>\$ 348,265</u>	<u>\$ 1,793,008</u>	<u>\$ 1,775,287</u>	<u>\$ 365,986</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 14,574	\$ 181,891	\$ 182,759	\$ 13,706
Accident Report	63	8	-	71
Community Building	688	10,458	10,247	899
Cumulative Capital Development	3,016	3,786	4,791	2,011
Cumulative Capital Improvement	-	3,920	1,600	2,320
Firearms Training	1,391	290	719	962
Law Enforcement Continuing Education	278	-	105	173
Local Road and Street	4,695	14,526	15,272	3,949
Motor Vehicle Highway	6,389	39,629	40,138	5,880
Ordinance Violation	44	-	-	44
Park and Recreation	1,458	2,087	2,484	1,061
Payroll	7,108	212,612	212,476	7,244
Riverboat	-	7,996	7,996	-
Proprietary Funds:				
Water Utility - Operating	26,571	516,160	506,391	36,340
Water Utility - Bond and Interest	186,599	162,233	163,549	185,283
Water Utility - Depreciation	115	14,984	14,596	503
Water Utility - Customer Deposit	42,918	10,500	5,262	48,156
Wastewater Utility - Operating	8,463	278,574	270,255	16,782
Wastewater Utility - Bond and Interest	4,868	42,628	47,496	-
Wastewater Utility - Depreciation	2,963	12,410	12,865	2,508
Wastewater Utility - Reserve Fund	50,035	13,187	13,187	50,035
Stormwater Utility - Other	3,750	30,574	34,324	-
Totals	<u>\$ 365,986</u>	<u>\$ 1,558,453</u>	<u>\$ 1,546,512</u>	<u>\$ 377,927</u>

The accompanying notes are an integral part of the schedules.

TOWN OF SHELburn
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF SHELburn
NOTES TO SCHEDULES
(Continued)

Note 6. 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 this 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 members' 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. That 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 the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Long-Term Debt

The Water and Wastewater Utilities have entered into various debts such as revenue bonds for acquisition and construction of assets. The outstanding principal for water and wastewater debt at December 31, 2005, was \$938,000 and \$488,075, respectively.

Note 8. Subsequent Event – Storm Water Project Financing

The Town of Shelburn has applied to the Indiana Office of Rural Affairs for a \$500,000 grant from the Department's Community Focus Fund of the State Development Block Grant (CDBG) Program. This program is funded through Federal Housing and Urban Development. The project consists of creating a storm water system to reduce area flooding to the street, yards and the sanitary sewer system. The Town also has secured an \$803,000 USDA Rural Development loan for a total project cost of approximately \$1.3 million.

TOWN OF SHELburn
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder:

Clerk-Treasurer, Noah Jay Southwood

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

CAPITAL ASSET RECORDS

As stated in the prior Audit Report B24770, capital asset records are not being maintained for the Town and Utilities.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

As stated in the prior Audit Report B24770, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SHELburn
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

As stated in the prior Audit Report B24770, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF SHELburn
EXIT CONFERENCE

The contents of this report were discussed on September 14, 2006, with Noah Jay Southwood, Clerk-Treasurer. The official concurred with our findings.