

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

EXAMINATION REPORT
OF
TOWN OF FORT BRANCH
GIBSON COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
10/26/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lori Haley	01-01-04 to 12-31-07
President of the Town Council	Gerald Bledsoe	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FORT BRANCH, GIBSON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Fort Branch (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

October 2, 2006

TOWN OF FORT BRANCH
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY 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	\$ 17,856	\$ 349,690	\$ 224,135	\$ 143,411
Motor Vehicle Highway	176,462	115,372	78,389	213,445
Local Road and Street	53,844	10,998	20,042	44,800
Park and Recreation	2,134	79,447	29,842	51,739
Law Enforcement Continuing Education	377	1,046	781	642
CDBG Grant	-	63,069	63,069	-
Donation	-	23,000	22,812	188
Cumulative Capital Improvement	60,240	8,658	25,100	43,798
Economic Development Income Tax	120,349	56,695	56,424	120,620
Proprietary Funds:				
Water Utility - Operating	181,172	431,327	429,816	182,683
Water Utility - Bond and Interest	186,432	133,151	182,966	136,617
Water Utility - Reserve	42,385	233	-	42,618
Water Utility - Customer Deposit	77,488	17,393	12,722	82,159
Water Utility - Debt Service	203,889	-	-	203,889
Water Utility - Improvement	923,183	613	-	923,796
Wastewater Utility - Operating	448,403	453,457	404,908	496,952
Wastewater Utility - Bond and Interest	20,094	107,108	126,991	211
Wastewater Utility - Cash Reserve	40,932	338	-	41,270
Wastewater Utility - Construction	129,055	1,624	-	130,679
Wastewater Utility - Debt Reserve	99,253	-	-	99,253
Fiduciary Fund:				
Payroll	1,671	508,394	507,488	2,577
Totals	<u>\$ 2,785,219</u>	<u>\$ 2,361,613</u>	<u>\$ 2,185,485</u>	<u>\$ 2,961,347</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 143,411	\$ 235,949	\$ 248,482	\$ 130,878
Motor Vehicle Highway	213,445	99,517	82,614	230,348
Local Road and Street	44,800	11,152	21,079	34,873
Park and Recreation	51,739	38,086	36,468	53,357
Law Enforcement Continuing Education	642	1,365	1,628	379
CDBG Grant	-	342,713	342,713	-
Donation	188	-	-	188
Cumulative Capital Improvement	43,798	7,172	18,343	32,627
Economic Development Income Tax	120,620	38,302	26,604	132,318
Proprietary Funds:				
Water Utility - Operating	182,683	421,933	447,696	156,920
Water Utility - Bond and Interest	136,617	149,498	183,264	102,851
Water Utility - Reserve	42,618	302	-	42,920
Water Utility - Customer Deposit	82,159	16,500	13,412	85,247
Water Utility - Debt Service	203,889	-	-	203,889
Water Utility - Improvement	923,796	5,229	-	929,025
Wastewater Utility - Operating	496,952	479,386	496,869	479,469
Wastewater Utility - Bond and Interest	211	128,475	128,542	144
Wastewater Utility - Cash Reserve	41,270	1,264	-	42,534
Wastewater Utility - Construction	130,679	4,033	-	134,712
Wastewater Utility - Debt Reserve	99,253	-	-	99,253
Fiduciary Fund:				
Payroll	2,577	537,963	538,028	2,512
Totals	<u>\$ 2,961,347</u>	<u>\$ 2,518,839</u>	<u>\$ 2,585,742</u>	<u>\$ 2,894,444</u>

The accompanying notes are an integral part of the schedules.

TOWN OF FORT BRANCH
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 (police), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water and wastewater.

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 FORT BRANCH
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 Utility has entered into debt in the form of bonds. The outstanding principal at December 31, 2005, was \$1,480,000.

The Wastewater Utility has entered into various debts such as bonds and loans for construction. The outstanding principal at December 31, 2005, was \$245,000 and \$529,101, respectively.

Note 8. Subsequent Event

In July, 2006, the Wastewater Utility issued Sewage Works Revenue Bond Anticipation Notes for \$310,000 to begin an improvement project.

TOWN OF FORT BRANCH
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT (Applies to the Town and Utilities)

An annual report for 2005 presented for audit was not accurate. The report presented did not contain all the town's receipts and expenditures for the year.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

PENALTIES AND INTEREST (Applies to the Town and Utilities)

Penalties and interest totaling \$1,577.83 were paid to the Indiana Department of Revenue in 2004 and 2005 for various late payments.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENTS (Applies to the Water Utility)

The Water Utility has invested in government bonds but the bonds are not recorded in the Water Utility Register of Investments. In addition, the Water Utility entered into an investment management contract without following the bidding provisions of Indiana Code 5-22. Monthly reports of transactions are not furnished as required by Indiana Code 5-13-11-3.

Indiana Code 5-13-11 states in part:

"Sec. 1. The county board of finance for a county described in IC 5-13-7-1 or the fiscal body for any other political subdivision and the investing officer of a political subdivision may contract with a depository for the operation of an investment cash management system."

"Sec. 2. (a) The contract must:

- (1) be in writing;
- (2) provide for the investment of funds by the depository with the approval of the investing officer;
- (3) provide that the depository keep those records concerning the investment cash management system that the political subdivision would maintain for audits by the state board of accounts;

TOWN OF FORT BRANCH
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (4) provide that investments will be made in accordance with this article;
- (5) not have a term of more than two (2) years; and (6) be awarded under the bidding provisions of IC 5-22.

(b) If no designated depository whose principal office or branch is located within the political subdivision will provide an investment cash management service permitted in this chapter, then the contract for an investment cash management service must be awarded as provided in IC 5-13-8-9(c). If the investment cash management service contract is awarded to a financial institution whose principal office or branch is located outside the political subdivision, then the recipient of the contract does not constitute a designated depository of the political subdivision for purposes of investment under IC 5-13-9-3 unless it meets the limitations of IC 5-13-9-4 or IC 5-13-9-5, but does constitute a depository under this article for all other purposes."

"Sec. 4. The depository shall furnish the political subdivision with at least one (1) report each month of transactions concerning the investment cash management system."

Investments should only be made in accordance with statute. Expenses related to any unauthorized investments may be the personal obligation of the responsible official or employee.

Losses related to investments and investment procedures which are not authorized by statute may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING (Applies to the Water Utility)

As stated in the prior audit report, some items, such as investment purchases and sales, were not entered in the records of the Water Utility.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Applies to the Water Utility)

The following prescribed or approved form was not always in use:

Register of Investments, General Form No. 350.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FORT BRANCH
EXAMINATION RESULTS AND COMMENTS
(Continued)

SALES TAX EXEMPT CERTIFICATES (Applies to the Water Utility)

The Water Utility did not have Sales Tax Exempt Certificates on file for customers claiming this status for utility services.

Sales to all governmental agencies, manufacturers for production purposes, farmers for agricultural purposes, religious, charitable and educational organizations are exempt from the gross retail sales tax when tangible personal property, utility service or commodities are used predominantly for the purpose for which exempt. However, in order to qualify for exemption any governmental agency or any other exempt purchaser must file an exemption certificate with the city, town or utility. Also, receipts from installing, constructing, servicing or removing tangible personal property used in connection with the furnishing of utility services are exempt.

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF FORT BRANCH
EXIT CONFERENCE

The contents of this report were discussed on October 2, 2006, with Lori Haley, Clerk-Treasurer. Separate exit conferences were held with Gerald Bledsoe, President of the Town Council; Chris Mosby, Council Member; and Ray Falls, Council Member. The officials concurred with our findings.