

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

AUDIT REPORT

OF

TOWN OF RUSSIAVILLE

HOWARD COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

09/11/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Downey	01-01-04 to 12-31-07
President of the Town Council	Mark Fulk	01-01-05 to 12-31-07
Superintendent of Water Utility	Robert Hewitt Kent Carter Cory Martin	01-01-05 to 03-31-06 04-01-06 to 03-31-07 04-01-07 to 12-31-07
Superintendent of Wastewater Utility	Michael Vary William D. Whitman	01-01-05 to 12-31-05 01-01-06 to 12-31-07



STATE OF INDIANA
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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 RUSSIAVILLE, HOWARD 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 Russiaville (Town), as of and for the years ended December 31, 2005 and 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, 2005 and 2006, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated June 27, 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, 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.

STATE BOARD OF ACCOUNTS

June 27, 2007



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE TOWN OF RUSSIAVILLE, HOWARD 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 Russiaville (Town), as of and for the years ended December 31, 2005 and 2006, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 27, 2007. 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

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. We consider the deficiencies described in item 2005/2006-1 of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

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.

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)

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. However, we believe that none of the significant deficiencies described above is a material weakness.

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 instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2005/2006-1.

The Town's response to the findings identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the Town's response and accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management, 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 27, 2007

TOWN OF RUSSIAVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2005

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		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	\$ 421,576	\$ 226	\$ -	\$ -	\$ (421,350)	\$ -	\$ (421,350)
Public safety	-	661	-	-	661	-	661
Highways and streets	75,278	-	60,353	-	(14,925)	-	(14,925)
Sanitation	-	47,815	-	-	47,815	-	47,815
Total governmental activities	496,854	48,702	60,353	-	(387,799)	-	(387,799)
Business-type activities:							
Water	636,623	235,204	-	471,999	-	70,580	70,580
Wastewater	145,321	146,810	-	-	-	1,489	1,489
Total business-type activities	781,944	382,014	-	471,999	-	72,069	72,069
Total primary government	\$ 1,278,798	\$ 430,716	\$ 60,353	\$ 471,999	(387,799)	72,069	(315,730)
General receipts:							
Property taxes					217,835	-	217,835
Other local sources					104,684	-	104,684
Unrestricted investment earnings					284	3,264	3,548
Other					10,102	-	10,102
Total general receipts					332,905	3,264	336,169
Change in net assets					(54,894)	75,333	20,439
Net assets - beginning					156,574	166,695	323,269
Net assets - ending					\$ 101,680	\$ 242,028	\$ 343,708
Assets							
Cash and investments					\$ 101,680	\$ 10,044	\$ 111,724
Restricted assets:							
Cash and investments					-	231,984	231,984
Total assets					\$ 101,680	\$ 242,028	\$ 343,708
Net Assets							
Restricted for:							
Debt service					\$ -	\$ 206,953	\$ 206,953
Other purposes					-	25,031	25,031
Unrestricted					101,680	10,044	111,724
Total net assets					\$ 101,680	\$ 242,028	\$ 343,708

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

TOWN OF RUSSIAVILLE
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, 2005

	General	Motor Vehicle Highway	Riverboat	Rainy Day	County Economic Development Income Tax	Trash Disposal	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 195,512	\$ 22,323	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 217,835
Licenses and permits	223	-	-	-	-	-	180	403
Intergovernmental	76,286	51,889	6,886	-	15,526	-	14,450	165,037
Charges for services	3	-	-	-	-	47,815	120	47,938
Other	10,336	50	-	-	-	-	361	10,747
Total receipts	282,360	74,262	6,886	-	15,526	47,815	15,111	441,960
Disbursements:								
General government	294,220	-	-	-	-	46,911	12,557	353,688
Highways and streets	-	66,302	-	-	-	-	7,909	74,211
Capital outlay	4,441	1,067	6,905	29,528	27,014	-	-	68,955
Total disbursements	298,661	67,369	6,905	29,528	27,014	46,911	20,466	496,854
Excess (deficiency) of receipts over disbursements	(16,301)	6,893	(19)	(29,528)	(11,488)	904	(5,355)	(54,894)
Other financing sources (uses):								
Transfers in	4,596	-	-	-	-	-	-	4,596
Transfers out	-	-	-	-	-	-	(4,596)	(4,596)
Total other financing sources (uses)	4,596	-	-	-	-	-	(4,596)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,705)	6,893	(19)	(29,528)	(11,488)	904	(9,951)	(54,894)
Cash and investment fund balance - beginning	38,100	27,411	13,791	29,528	16,056	14,153	17,535	156,574
Cash and investment fund balance - ending	<u>\$ 26,395</u>	<u>\$ 34,304</u>	<u>\$ 13,772</u>	<u>\$ -</u>	<u>\$ 4,568</u>	<u>\$ 15,057</u>	<u>\$ 7,584</u>	<u>\$ 101,680</u>
Cash and Investment Assets - December 31								
Cash and investments	<u>\$ 26,395</u>	<u>\$ 34,304</u>	<u>\$ 13,772</u>	<u>\$ -</u>	<u>\$ 4,568</u>	<u>\$ 15,057</u>	<u>7,584</u>	<u>\$ 101,680</u>
Cash and Investment Fund Balance - December 31								
Unrestricted	<u>\$ 26,395</u>	<u>\$ 34,304</u>	<u>\$ 13,772</u>	<u>\$ -</u>	<u>\$ 4,568</u>	<u>\$ 15,057</u>	<u>7,584</u>	<u>\$ 101,680</u>

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

TOWN OF RUSSIAVILLE
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, 2005

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts	\$ 159,927	\$ -	\$ 159,927
Fire protection receipts	2,275	-	2,275
Measured revenue	-	145,560	145,560
Other	73,002	1,250	74,252
	<u>235,204</u>	<u>146,810</u>	<u>382,014</u>
Total operating receipts			
Operating disbursements:			
Sales disbursements	13,507	-	13,507
Salaries and wages	44,431	32,555	76,986
Employee pensions and benefits	378	-	378
Purchased power	6,222	10,079	16,301
Chemicals	1,805	3,604	5,409
Material and supplies	14,179	7,031	21,210
Repairs	1,213	8,477	9,690
Contractual services	5,500	600	6,100
Equipment and capital improvements	525,002	-	525,002
Telephone	1,655	954	2,609
Miscellaneous disbursements	853	731	1,584
	<u>614,745</u>	<u>64,031</u>	<u>678,776</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>(379,541)</u>	<u>82,779</u>	<u>(296,762)</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	616	2,648	3,264
Debt service of principal	(7,900)	(35,000)	(42,900)
Interest and investment disbursement	(13,978)	(46,290)	(60,268)
	<u>(21,262)</u>	<u>(78,642)</u>	<u>(99,904)</u>
Total nonoperating disbursement			
Excess (deficiency) of receipts over disbursements and nonoperating disbursements	(400,803)	4,137	(396,666)
Capital contributions	<u>471,999</u>	<u>-</u>	<u>471,999</u>
Excess of receipts and contributions over disbursements	71,196	4,137	75,333
Cash and investment fund balance - beginning	<u>65,484</u>	<u>101,211</u>	<u>166,695</u>
Cash and investment fund balance - ending	<u>\$ 136,680</u>	<u>\$ 105,348</u>	<u>\$ 242,028</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 5,862	\$ 4,182	\$ 10,044
Restricted assets:			
Cash and investments	<u>130,818</u>	<u>101,166</u>	<u>231,984</u>
Total cash and investment assets - December 31	<u>\$ 136,680</u>	<u>\$ 105,348</u>	<u>\$ 242,028</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 105,787	\$ 101,166	\$ 206,953
Other purposes	25,031	-	25,031
Unrestricted	<u>5,862</u>	<u>4,182</u>	<u>10,044</u>
Total cash and investment fund balance - December 31	<u>\$ 136,680</u>	<u>\$ 105,348</u>	<u>\$ 242,028</u>

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

TOWN OF RUSSIAVILLE
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2005

	Agency Fund
Additions:	
Agency fund additions	\$ 264,389
Deductions:	
Agency fund deductions	264,389
Excess (deficiency) of total additions over total deductions	-
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ -

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

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

Functions/Programs	Disbursements	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
		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	\$ 346,489	\$ 667	\$ 422	\$ 42,996	\$ (302,404)	\$ -	\$ (302,404)
Public safety	1,363	779	-	-	(584)	-	(584)
Highways and streets	60,934	-	66,982	-	6,048	-	6,048
Sanitation	-	48,810	-	-	48,810	-	48,810
Total governmental activities	408,786	50,256	67,404	42,996	(248,130)	-	(248,130)
Business-type activities:							
Water	185,727	201,495	-	-	-	15,768	15,768
Wastewater	173,738	154,985	-	-	-	(18,753)	(18,753)
Total business-type activities	359,465	356,480	-	-	-	(2,985)	(2,985)
Total primary government	\$ 768,251	\$ 406,736	\$ 67,404	\$ 42,996	(248,130)	(2,985)	(251,115)
General receipts:							
Property taxes					201,695	-	201,695
Other local sources					108,479	-	108,479
Other					36,794	-	36,794
Unrestricted investment earnings					250	3,719	3,969
Total general receipts					347,218	3,719	350,937
Change in net assets					99,088	734	99,822
Net assets - beginning					101,680	242,028	343,708
Net assets - ending					\$ 200,768	\$ 242,762	\$ 443,530
<u>Assets</u>							
Cash and investments					\$ 200,768	\$ 1,385	\$ 202,153
Restricted assets:							
Cash and investments					-	241,377	241,377
Total assets					\$ 200,768	\$ 242,762	\$ 443,530
<u>Net Assets</u>							
Restricted for:							
Debt service					\$ -	\$ 175,507	\$ 175,507
Other purposes					-	65,870	65,870
Unrestricted					200,768	1,385	202,153
Total net assets					\$ 200,768	\$ 242,762	\$ 443,530

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

TOWN OF RUSSIAVILLE
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	Riverboat	Rainy Day	County Economic Development Income Tax	Trash Disposal	Other Governmental Funds	Totals
Receipts:								
Taxes	\$ 191,554	\$ 3,726	\$ -	\$ -	\$ -	\$ -	\$ 3,557	\$ 198,837
Licenses and permits	417	-	-	-	-	-	290	707
Intergovernmental	82,763	57,600	6,872	-	12,865	-	15,361	175,461
Charges for services	250	-	-	-	-	48,810	85	49,145
Fines and forfeits	-	-	-	-	-	-	404	404
Other	24,487	-	422	28,118	14,878	-	15,415	83,320
Total receipts	<u>299,471</u>	<u>61,326</u>	<u>7,294</u>	<u>28,118</u>	<u>27,743</u>	<u>48,810</u>	<u>35,112</u>	<u>507,874</u>
Disbursements:								
General government	288,686	-	-	-	-	55,999	-	344,685
Public safety	-	-	-	-	-	-	1,363	1,363
Highways and streets	-	50,704	-	-	-	-	9,980	60,684
Capital outlay	1,804	250	-	-	-	-	-	2,054
Total disbursements	<u>290,490</u>	<u>50,954</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,999</u>	<u>11,343</u>	<u>408,786</u>
Excess (deficiency) of receipts over disbursements	8,981	10,372	7,294	28,118	27,743	(7,189)	23,769	99,088
Cash and investment fund balance - beginning	26,395	34,304	13,772	-	4,568	15,057	7,584	101,680
Cash and investment fund balance - ending	<u>\$ 35,376</u>	<u>\$ 44,676</u>	<u>\$ 21,066</u>	<u>\$ 28,118</u>	<u>\$ 32,311</u>	<u>\$ 7,868</u>	<u>\$ 31,353</u>	<u>\$ 200,768</u>
<u>Cash and Investment Assets - December 31</u>								
Cash and investments	<u>\$ 35,376</u>	<u>\$ 44,676</u>	<u>\$ 21,066</u>	<u>\$ 28,118</u>	<u>\$ 32,311</u>	<u>\$ 7,868</u>	<u>\$ 31,353</u>	<u>\$ 200,768</u>
<u>Cash and Investment Fund Balance - December 31</u>								
Unrestricted	<u>\$ 35,376</u>	<u>\$ 44,676</u>	<u>\$ 21,066</u>	<u>\$ 28,118</u>	<u>\$ 32,311</u>	<u>\$ 7,868</u>	<u>\$ 31,353</u>	<u>\$ 200,768</u>

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

TOWN OF RUSSIAVILLE
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	\$ 196,720	\$ -	\$ 196,720
Fire protection receipts	2,275	-	2,275
Measured revenue	-	148,185	148,185
Tap fees	-	500	500
Other	<u>2,500</u>	<u>6,300</u>	<u>8,800</u>
 Total operating receipts	 <u>201,495</u>	 <u>154,985</u>	 <u>356,480</u>
Operating disbursements:			
Sales disbursements	13,510	-	13,510
Salaries and wages	52,193	23,066	75,259
Employee pensions and benefits	33	-	33
Purchased power	6,908	13,126	20,034
Sludge removal	-	3,534	3,534
Chemicals	2,759	5,408	8,167
Material and supplies	9,465	5,895	15,360
Repairs	3,062	26,475	29,537
Telephone	1,419	1,028	2,447
Miscellaneous disbursements	<u>6,175</u>	<u>10,946</u>	<u>17,121</u>
 Total operating disbursements	 <u>95,524</u>	 <u>89,478</u>	 <u>185,002</u>
 Excess of operating receipts over operating disbursements	 <u>105,971</u>	 <u>65,507</u>	 <u>171,478</u>
Nonoperating receipts (disbursements):			
Interest and investment receipts	870	2,849	3,719
Debt service of principal	(50,300)	(40,000)	(90,300)
Interest and investment disbursement	<u>(39,903)</u>	<u>(44,260)</u>	<u>(84,163)</u>
 Total nonoperating disbursements	 <u>(89,333)</u>	 <u>(81,411)</u>	 <u>(170,744)</u>
 Excess (deficiency) of receipts over disbursements and nonoperating disbursements	 16,638	 (15,904)	 734
 Cash and investment fund balance - beginning	 <u>136,680</u>	 <u>105,348</u>	 <u>242,028</u>
 Cash and investment fund balance - ending	 <u>\$ 153,318</u>	 <u>\$ 89,444</u>	 <u>\$ 242,762</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 595	\$ 790	\$ 1,385
Restricted assets:			
Cash and investments	<u>152,723</u>	<u>88,654</u>	<u>241,377</u>
 Total cash and investment assets - December 31	 <u>\$ 153,318</u>	 <u>\$ 89,444</u>	 <u>\$ 242,762</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ 86,853	\$ 88,654	\$ 175,507
Other purposes	65,870	-	65,870
Unrestricted	<u>595</u>	<u>790</u>	<u>1,385</u>
 Total cash and investment fund balance - December 31	 <u>\$ 153,318</u>	 <u>\$ 89,444</u>	 <u>\$ 242,762</u>

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

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

	Agency Fund
Additions:	
Agency fund additions	\$ 213,113
Deductions:	
Agency fund deductions	211,119
Excess (deficiency) of total additions over total deductions	1,994
Cash and investment fund balance - beginning	-
Cash and investment fund balance - ending	\$ 1,994

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

TOWN OF RUSSIAVILLE
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, public improvements, planning and zoning, general administrative services, water and wastewater.

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

Primary Government: Town of Russiaville

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 motor vehicle highway fund shall be used for construction, reconstruction, repair, maintenance, and cleaning of highways.

The riverboat fund is used to account for distribution of tax revenues under Indiana Code 4-33-13.

The rainy day fund is used to account for funds in accordance with Indiana Code 36-1-1-8-5.1 and a legally adopted resolution.

The county economic development income tax fund is to account for tax distributions from the county economic development.

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The trash disposal fund shall be used to account for the collection of fees and payment of supplier of services.

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 various taxing agencies.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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 utilities and town. 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.

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

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

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

Fund Financial Statements

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

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.

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

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

Government-Wide Financial Statements

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

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

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,

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

approves the budget for the next year. Copies of the budget resolution/ordinance and the advertisement for funds for which property taxes are levied or highway use taxes are received are sent to the Indiana Department of Local Government Finance. The budget becomes legally enacted after the fiscal officer of the Town receives approval of the Indiana Department of Local Government Finance.

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

III. Detailed Notes on All Funds

A. Deposits

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

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2005 and 2006, were as follows:

Transfer From	Transfer To	2005	2006
Other governmental	General Fund	\$ <u>4,596</u>	\$ <u>-</u>

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

C. Segment Information

The Town issued revenue bonds to finance utility improvements. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. Summary financial information for the water and wastewater utilities are presented below.

Condensed Statement of Cash and Investment Net Assets:

	Water Utility		Wastewater Utility	
	2005	2006	2005	2006
Cash and investment assets:				
Cash and investments	\$ 5,862	\$ 595	\$ 4,182	\$ 790
Restricted assets	<u>130,818</u>	<u>152,723</u>	<u>101,166</u>	<u>88,654</u>
Total cash and investment assets	<u>\$ 136,680</u>	<u>\$ 153,318</u>	<u>\$ 105,348</u>	<u>\$ 89,444</u>

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Condensed Statement of Cash and Investment Net Assets (continued):

	Water Utility		Wastewater Utility	
	2005	2006	2005	2006
Cash and investment net assets:				
Restricted for:				
Debt service	\$ 105,787	\$ 86,853	\$ 101,166	\$ 88,654
Other purposes	25,031	65,870		
Unrestricted	<u>5,862</u>	<u>595</u>	<u>4,182</u>	<u>790</u>
Total cash and investment net assets	<u>\$ 136,680</u>	<u>\$ 153,318</u>	<u>\$ 105,348</u>	<u>\$ 89,444</u>

Condensed Statement of Receipts, Disbursements and Changes in Cash and Investment Net Assets:

	Water Utility		Wastewater Utility	
	2005	2006	2005	2006
Receipts (pledged against bond)	\$ 235,204	\$ 201,495	\$ 146,810	\$ 154,985
Operating disbursements	<u>(614,745)</u>	<u>(95,524)</u>	<u>(64,031)</u>	<u>(89,478)</u>
Excess (deficiency) of receipts over disbursements	<u>(379,541)</u>	<u>105,971</u>	<u>82,779</u>	<u>65,507</u>
Nonoperating receipts (disbursements):				
Interest received	616	870	2,648	2,849
Debt service of principal	(7,900)	(50,300)	(35,000)	(40,000)
Interest disbursed	(13,978)	(39,903)	(46,290)	(44,260)
Capital contributions	<u>471,999</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total nonoperating receipts (disbursements)	<u>450,737</u>	<u>(89,333)</u>	<u>(78,642)</u>	<u>(81,411)</u>
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	71,196	16,638	4,137	(15,904)
Beginning cash and investment net assets	<u>65,484</u>	<u>136,680</u>	<u>101,211</u>	<u>105,348</u>
Ending cash and investment net assets	<u>\$ 136,680</u>	<u>\$ 153,318</u>	<u>\$ 105,348</u>	<u>\$ 89,444</u>

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; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); and natural disasters.

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; medical benefits to employees, retirees, and dependents (excluding postemployment benefits); 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.

Job Related Illnesses or Injuries to Employees

During 1998, the Town joined with other governmental entities in the Indiana Public Employer's Plan, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 515 member governmental entities. This risk pool was formed in 1990. The purpose of the risk pool is to provide a medium for the funding and administration of job related injuries or illnesses. The Town pays an annual premium to the risk pool for its job related injuries or illnesses coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

The current rate structure was approved by the Council on September 4, 2004.

Wastewater Utility

The current rate structure was approved by the Town Council on March 20, 1995.

C. 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

TOWN OF RUSSIAVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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	\$ 6,446
Interest on net pension obligation	(2,507)
Adjustment to annual required contribution	2,856
Annual pension cost	6,795
Contributions made	5,224
Increase in net pension obligation	1,571
Net pension obligation, beginning of year	(34,573)
Net pension obligation, end of year	\$ (33,002)
Contribution rates:	
Town	3.75%
Plan members	3%
Actuarial valuation date	07-01-06
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%

TOWN OF RUSSIAVILLE
 NOTES TO FINANCIAL STATEMENTS
 (Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-04	\$ 2,979	156%	\$ (33,694)
	06-30-05	4,998	118%	(34,573)
	06-30-06	6,795	105%	(33,002)

TOWN OF RUSSIAVILLE
 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)
07-01-04	\$ 228,781	\$ 179,215	\$ 49,566	128%	\$ 182,764	27%
07-01-05	233,332	191,226	42,106	122%	198,067	21%
07-01-06	289,011	177,947	111,064	162%	156,504	71%

TOWN OF RUSSIAVILLE
 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, 2005

	Local Road and Street	Law Enforcement Continuing Education	Donation	Criminal Justice Institute Grant	Operation Pullover	Cumulative Capital Improvement	Totals
Receipts:							
Licenses and permits	\$ -	\$ 180	\$ -	\$ -	\$ -	\$ -	\$ 180
Intergovernmental	11,074	-	-	-	-	3,376	14,450
Charges for services	-	120	-	-	-	-	120
Fines and forfeits	-	361	-	-	-	-	361
Total receipts	11,074	661	-	-	-	3,376	15,111
Disbursements:							
General government	-	-	-	-	-	12,557	12,557
Highways and streets	7,909	-	-	-	-	-	7,909
Total disbursements	7,909	-	-	-	-	12,557	20,466
Excess (deficiency) of receipts over disbursements	3,165	661	-	-	-	(9,181)	(5,355)
Other financing sources (uses)							
Transfers out	-	-	(100)	(485)	-	(4,011)	(4,596)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	3,165	661	(100)	(485)	-	(13,192)	(9,951)
Cash and investment fund balance - beginning	973	1,727	100	485	239	14,011	17,535
Cash and investment fund balance - ending	<u>\$ 4,138</u>	<u>\$ 2,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 819</u>	<u>\$ 7,584</u>
<u>Cash and Investment Assets - December 31</u>							
Cash and investments	<u>\$ 4,138</u>	<u>\$ 2,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 819</u>	<u>\$ 7,584</u>
<u>Cash and Investment Fund Balance - December 31</u>							
Unrestricted	<u>\$ 4,138</u>	<u>\$ 2,388</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 819</u>	<u>\$ 7,584</u>

TOWN OF RUSSIAVILLE
 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	Law Enforcement Continuing Education	Donation	Criminal Justice Institute Grant	Operation Pullover	Levy Excess	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,557	\$ 3,557
Licenses and permits	-	290	-	-	-	-	-	-	290
Intergovernmental	10,772	-	-	-	-	-	3,901	688	15,361
Charges for services	-	85	-	-	-	-	-	-	85
Fines and forfeits	-	404	-	-	-	-	-	-	404
Other	-	-	-	-	-	2,858	12,557	-	15,415
Total receipts	<u>10,772</u>	<u>779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,858</u>	<u>16,458</u>	<u>4,245</u>	<u>35,112</u>
Disbursements:									
Public safety	-	1,363	-	-	-	-	-	-	1,363
Highways and streets	9,980	-	-	-	-	-	-	-	9,980
Total disbursements	<u>9,980</u>	<u>1,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,343</u>
Excess (deficiency) of receipts over disbursements	792	(584)	-	-	-	2,858	16,458	4,245	23,769
Cash and investment fund balance - beginning	<u>4,138</u>	<u>2,388</u>	<u>-</u>	<u>-</u>	<u>239</u>	<u>-</u>	<u>819</u>	<u>-</u>	<u>7,584</u>
Cash and investment fund balance - ending	<u>\$ 4,930</u>	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 2,858</u>	<u>\$ 17,277</u>	<u>\$ 4,245</u>	<u>\$ 31,353</u>
<u>Cash and Investment Assets - December 31</u>									
Cash and investments	<u>\$ 4,930</u>	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 2,858</u>	<u>\$ 17,277</u>	<u>\$ 4,245</u>	<u>\$ 31,353</u>
<u>Cash and Investment Fund Balance - December 31</u>									
Unrestricted	<u>\$ 4,930</u>	<u>\$ 1,804</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 239</u>	<u>\$ 2,858</u>	<u>\$ 17,277</u>	<u>\$ 4,245</u>	<u>\$ 31,353</u>

OTHER REPORT

The annual audit report presented herein was prepared in addition to another official report prepared for Town Officials.

TOWN OF RUSSIAVILLE
AUDIT RESULTS AND COMMENTS

OFFICIAL BOND

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

Linda Downey, Clerk-Treasurer

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. . . ."

SERVICE AND TIME RECORDS

Employee service records (Form 99A) were not maintained and presented for audit for all full-time employees. Time records (Form 99C) were not kept for all hourly employees. Time records were provided for three employees, but were not properly approved by the immediate supervisor.

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)

ORDINANCES AND RESOLUTIONS

The Town's salary ordinance did not include wages paid to the Street/Wastewater Superintendent. Also, the Town's salary ordinance does not specify how much or from what fund the employees' salaries should be paid.

There is a rate ordinance for Water and Wastewater penalties to be assessed if a payment is late. These penalties were not properly charged to the customer's accounts until August 2006.

The Water Utility's rate ordinance establishes the amount that the Town of Russiaville owes for Hydrant Rental at \$327.63 per hydrant for 2005 and \$414.59 per hydrant for 2006. The Town is required to pay rent for all 16 hydrants in the Town; however, only \$2,275 was paid to the Water Utility for each year audited. Payments for 2005 and 2006 should have been \$5,242.08 and \$6,633.44, respectively. The Town owes the Water Utility \$7,325.52 (\$2,967.08 for 2005 and \$4,358.44 for 2006) for the two years under 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)

DELINQUENT ACCOUNTS RECEIVABLE

As stated in the prior report, Ordinance 2003-04 established the shut-off policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance.

During the audit period, Linda Downey, Clerk-Treasurer, was four months in arrears in paying her Utility bills; Michael Vary, the Street/Wastewater Superintendent (terminated March 1, 2006), was 13 months in arrears; and Bobette Deardorff, Deputy Clerk-Treasurer, was 7 months in arrears. None of the aforementioned people had their water shut off. No penalties were assessed for late payment on these accounts until after August 2006.

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)

TOWN OF RUSSIAVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of Town and Utility employees was certified to the County Treasurer; however, the Deputy Clerk-Treasurer and the Street/Wastewater Superintendent were not included on the list.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

ERRORS ON CLAIMS

The following deficiencies were noted during our audit of claims:

- (1) Claims were not prepared for all of the disbursements tested.
- (2) Several of the claims tested were not accompanied by a proper invoice or were not adequately itemized.
- (3) The Town's claims docket consists of a listing of the vendor, disbursing fund, amount of check, date of council meeting and council members' signatures. Council approval could not be verified for all claims paid due to lack of check numbers. We found that some of the claims paid were not on the claims dockets.
- (4) Most of the claims or invoices tested were not accompanied by evidence in support of the receipt of goods or services.
- (5) Approximately one-half of the claims tested were not certified by the fiscal officer.
- (6) A total amount of \$17.09 was paid in sales tax on the claims tested.
- (7) Unit did not pay the correct amount due on some claims tested.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;

TOWN OF RUSSIAVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

TRAVEL POLICY

A travel policy was not presented for audit. Additionally, we found instances where employees were reimbursed for hotel rooms, parking, food, and mileage without actual receipts being attached.

Each governmental unit should adopt a written travel policy in conformity with applicable statutes. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Reimbursement for lodging and meals should be based upon actual receipts for amounts paid unless otherwise authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESIGNING DOCUMENTS

We found instances where blank checks were presigned by the Clerk-Treasurer and given to an employee to purchase clothing.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

The Clerk-Treasurer is transferring deposits from residents who move away to the new owner of the residence. A refund is not being paid to the resident who originally paid the deposit.

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)

MILEAGE REIMBURSEMENT

Some employees were reimbursed for mileage without filing Mileage Claim, General Form 101.

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 RUSSIAVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

In several instances receipts were not issued or recorded.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT DEPOSITS

The Clerk-Treasurer is not depositing funds in the same form in which they were received. Of the receipts reviewed, 70% were not deposited by the next business day.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

CAPITAL ASSET RECORDS

The Town and Utilities did not present records of capital assets for audit.

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. 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)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2005 and 2006.

TOWN OF RUSSIAVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

ANNUAL REPORT

An annual report for 2005 and 2006 was not filed with the State Board of Accounts.

Indiana Code 5-11-1-4 states in part:

"(a) The state examiner shall require from every municipality and every state and local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. . . ."

"(b) The following shall prepare, verify, and file the reports required under subsection (a) not later than sixty (60) days after the close of each fiscal year: (1) A municipal government. . . ."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording and accounting for financial activities were insufficient due to the failure to write receipts, the lack of supporting documentation for disbursements, and the haphazard posting of records.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal controls. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Controls over the receipting, disbursing, recording, and accounting for financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (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
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
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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 RUSSIAVILLE, HOWARD COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Russiaville (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2005 and 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 years ended December 31, 2005 and 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.

The Town's response to the findings identified in our audit are described in the accompanying Corrective Action Plan. We did not audit the Town's response and, accordingly, we express no opinion on it.

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 27, 2007

TOWN OF RUSSIAVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2005 and 2006

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-05	Total Federal Awards Expended 12-31-06
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants/State's Program	14.228	CF-03-209	\$ 471,999	\$ -
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>				
Pass-Through Indiana Department of Environmental Management Capitalization Grants for Drinking Water State Revolving Funds	66.468	DW103223 01	481,272	34,556
Total federal awards expended			<u>\$ 953,271</u>	<u>\$ 34,556</u>

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

TOWN OF RUSSIAVILLE
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

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

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

II. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2005 and 2006. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2005	2006
Capitalization Grants for Drinking Water State Revolving Funds	66.468	\$ 1,253,866	\$ 1,282,102

III. Amount of Insurance in Effect During the Year

The Town had the following amounts of insurance in effect during the year for the years ending December 31, 2005 and 2006.

Program Title	Federal CFDA Number	2005	2006
Community Development Block Grants/State's Program	14.228	\$ 471,999	-
Capitalization Grants for Drinking Water State Revolving Funds	66.468	481,272	34,556

TOWN OF RUSSIAVILLE
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? yes

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified? no

Reportable conditions identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? no

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
14.228	Community Development Block Grants/State's Program
66.468	Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? no

TOWN OF RUSSIAVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings

FINDING 2005/2006-1, CONDITION OF RECORDS

The Clerk-Treasurer is not writing receipts for all monies received. The money is not being deposited intact and the deposits are not being made by the next business day. Of the receipts reviewed, 70% were not deposited by the next business day.

The claims are not always supported by the proper documentation to support the validity of the disbursement. The Clerk-Treasurer was using funds in excess of the petty cash for purchases. Instances of reimbursements to the petty cash fund were in excess of \$460, while the petty cash fund total was \$125. Claims were not being certified by the fiscal officer in 50% of the claims reviewed. Claims were not prepared for all disbursements and several claims were not accompanied by a proper invoice to provide supporting documentation.

The effect of the lack of internal controls over receipting and disbursing of funds would result in the risk of invalid transactions, inaccurate records and financial statements which would lead to incorrect decision making by the unit.

Controls over the receipting, disbursing, recording, and accounting for financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties and all forms of information processing are necessary for proper internal controls. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Clerk-Treasurer needs to write receipts when the monies are received, post the receipt to the ledger, and deposit the monies intact by the next business day. The Clerk-Treasurer should not disburse funds without the proper documentation to support the validity of the claim. The claims should be audited and certified by the Clerk-Treasurer before claims are presented to the Town Council for allowance of payment. Once approval is received from the Town Council, checks should be written and posted to the ledger.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF RUSSIAVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No items were reportable.

TOWN OF RUSSIAVILLE, INDIANA
P. O. BOX 278
250 NORTH UNION STREET
RUSSIAVILLE, INDIANA 46979
Phone 765-883-5739
Fax 765-883-4551

Town Council: Mark Fulk, Jerri Bourff, Don Parvin, Jeff Lipinski, Cindy Aeschliman

July 18, 2007

Re: State Board of Account's Audit Findings for the Town of Russiaville

This letter is written to explain the manner in which several Town of Russiaville audit findings by the SBA are being corrected.

When money is received a receipt is written and posted to the ledger. The deposit is prepared and the money is deposited intact by the next business day.

Funds are not disbursed without the proper documentation to support the validity of the claim. Claims are prepared for all disbursements, audited and certified before presenting them to the Town Council. When approved by the Town Council, checks are written and posted to the ledger.

Funds disbursed from the petty cash fund are reimbursed before the amount reaches the balance in the fund.

Should there be further questions or concerns please call the Town Hall at 765-883-5739.

Yours truly,



Linda Downey,
Clerk Treasurer, Town of Russiaville

TOWN OF RUSSIAVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 2, 2007, with Linda Downey, Clerk-Treasurer; Jeff Lipinski, Vice President of the Town Council; Jerri Bourff, Town Council member; and Mark Fulk, President of the Town Council. The officials concurred with our audit findings.