

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

EXAMINATION REPORT
OF
TOWN OF FARMLAND
RANDOLPH COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/11/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information: Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-6
Supplementary Information: Schedule of Capital Assets	7
Schedule of Long-Term Debt.....	8
Examination Result and Comment: Overdrawn Cash Balance	9
Exit Conference	10
Official Response	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Bernice A. Herndon	01-01-04 to 12-31-07
President of the Town Council	William B. Redmond	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FARMLAND, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Farmland (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not a required part of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 13, 2007

TOWN OF FARMLAND
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 204,739	\$ 343,188	\$ 360,670	\$ 187,257
Rainy Day	17,823	20,000	-	37,823
Motor Vehicle Highway	152,206	47,372	33,157	166,421
Local Road and Street	18,936	5,365	3,000	21,301
Fire Donation	400	-	-	400
Historic Farmland Donation	500	-	-	500
Park and Recreation Donation	412	-	-	412
Police Reserve Donation	480	25	-	505
FEMA Grant - Fire Department	-	104,334	3,467	100,867
Law Enforcement Continuing Education	2,719	512	-	3,231
Riverboat	9,585	9,181	-	18,766
Cumulative Capital Improvement	39,221	4,501	10,916	32,806
Cumulative Capital Development	67,647	9,300	20,610	56,337
Cumulative Fire Special	31,577	6,211	13	37,775
Operation Pull Over Grant Best	662	-	227	435
Operation Pull Over Grant	10	1,500	1,446	64
Micro Loan	40,850	2,412	-	43,262
Economic Development Income Tax	163,692	41,684	43,465	161,911
Return Check	(107)	842	631	104
Wastewater/Storm Water Loan	8,637	-	8,637	-
Sanitation	15,599	47,876	50,652	12,823
Levy Excess	923	550	-	1,473
Proprietary Funds:				
Water Utility - Operating	4,143	165,658	149,464	20,337
Water Utility - Bond and Interest	12,228	-	9,222	3,006
Water Utility - Depreciation	28,380	4,344	9,547	23,177
Water Utility - Customer Deposit	19,097	3,266	4,067	18,296
Water Utility - Construction	1,340	-	-	1,340
Wastewater Utility - Operating	81,230	247,205	284,764	43,671
Wastewater Utility - Bond and Interest	56,262	102,258	69,157	89,363
Wastewater Utility - Depreciation	59,017	1,532	-	60,549
Wastewater Utility - Improvement	164,282	97,009	51,341	209,950
Wastewater/Storm Water Loan	-	625,000	572,630	52,370
Fiduciary Fund:				
Payroll	23,906	329,644	328,649	24,901
Totals	\$ 1,226,396	\$ 2,220,769	\$ 2,015,732	\$ 1,431,433

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 187,257	\$ 367,390	\$ 317,003	\$ 237,644
Rainy Day	37,823	-	-	37,823
Motor Vehicle Highway	166,421	60,087	23,229	203,279
Local Road and Street	21,301	11,652	-	32,953
Fire Donation	400	-	-	400
Historic Farmland Donation	500	-	-	500
Park and Recreation Donation	412	1,945	-	2,357
Police Reserve Donation	505	-	9	496
FEMA Grant - Fire Department	100,867	-	100,867	-
Law Enforcement Continuing Education	3,231	646	1,122	2,755
Riverboat	18,766	9,162	9,331	18,597
Cumulative Capital Improvement	32,806	5,202	-	38,008
Cumulative Capital Development	56,337	8,191	13,552	50,976
Cumulative Fire Special	37,775	6,761	-	44,536
Operation Pull Over Grant Best	435	-	435	-
Operation Pull Over Grant	64	1,541	1,564	41
Park - United Way Grant	-	200	-	200
City Building - United Way Grant	-	175	175	-
Home Rehabilitation Reimbursement	-	10,362	7,054	3,308
Micro Loan	43,262	5,707	-	48,969
Economic Development Income Tax	161,911	68,323	128,479	101,755
Facade Planning Grant	-	5,150	-	5,150
Return Check	104	742	632	214
Sanitation	12,823	48,266	51,525	9,564
Levy Excess	1,473	-	550	923
Proprietary Funds:				
Water Utility - Operating	20,337	164,282	168,558	16,061
Water Utility - Bond and Interest	3,006	-	4,025	(1,019)
Water Utility - Depreciation	23,177	2,541	-	25,718
Water Utility - Customer Deposit	18,296	8,812	2,878	24,230
Water Utility - Construction	1,340	-	-	1,340
Wastewater Utility - Operating	43,671	238,967	237,350	45,288
Wastewater Utility - Bond and Interest	89,363	42,330	47,403	84,290
Wastewater Utility - Depreciation	60,549	2,792	-	63,341
Wastewater Utility - Improvement	209,950	37,600	10,600	236,950
Wastewater/Storm Water Loan	52,370	45,237	42,769	54,838
Fiduciary Fund:				
Payroll	24,901	326,270	321,707	29,464
Totals	\$ 1,431,433	\$ 1,480,333	\$ 1,490,817	\$ 1,420,949

The accompanying notes are an integral part of the financial information.

TOWN OF FARMLAND
NOTES TO FINANCIAL INFORMATION

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 FARMLAND
NOTES TO FINANCIAL INFORMATION
(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.

TOWN OF FARMLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

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

General infrastructure assets completed in the current audit years have been reported. Retroactive reporting of general infrastructure assets will occur eventually.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 20,000
Infrastructure	6,639
Buildings	416,095
Improvements other than buildings	6,789
Machinery and equipment	<u>713,271</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,162,794</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 12,599
Capital assets, being depreciated:	
Buildings	64,783
Improvements other than buildings	740,893
Machinery and equipment	<u>351,370</u>
 Total Water Utility capital assets	 <u>1,169,645</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	61,069
Capital assets, being depreciated:	
Buildings	18,977
Improvements other than buildings	2,505,513
Machinery and equipment	<u>28,846</u>
 Total Wastewater Utility capital assets	 <u>2,614,405</u>

Total business-type activities capital assets	<u>\$ 3,784,050</u>
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TOWN OF FARMLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Fire truck loan payable	\$ 81,171	\$ 19,091
Business-type Activities:		
Water Utility		
Water Utility Improvement Loan	\$ 32,717	\$ 10,601
Wastewater Utility		
Revenue bonds:		
1994 Debt-Sewage	319,365	35,000
2005 Improvement	604,776	20,000
Total Wastewater Utility	924,141	55,000
Total business-type activities long-term debt:	\$ 956,858	\$ 65,601

TOWN OF FARMLAND
EXAMINATION RESULT AND COMMENT

OVERDRAWN CASH BALANCE

The cash balance of the Water Utility-Bond and Interest Fund was overdrawn in 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter7)

TOWN OF FARMLAND
EXIT CONFERENCE

The contents of this report were discussed on August 28, 2007, with Bernice A. Herndon, Clerk-Treasurer; and William B. Redmond, President of the Town Council. The official response has been made a part of this report and may be found on page 11.

Telephone: 765-468-6701
FAX: 765-468-7067



104 E. Henry Street
P.O. Box 336
Farmland, IN 47340

August 28, 2007

State Board of Accounts
Indianapolis, Indiana

To Whom It May Concern:

This is concerning the Water Bond and Interest Fund.

I had written a check for the water tower loan payment out of this fund by mistake and should not have. A check was written on March 20, 2007 and put into the bond and interest fund to take care of the mistake I made and to put the account at zero.

Sincerely,

A handwritten signature in cursive script that reads 'Bernice A. Herndon'.

Bernice A. Herndon
Clerk-Treasurer

OFFICE of the CLERK-TREASURER
BERNICE A. HERNDON, CLERK TREASURER