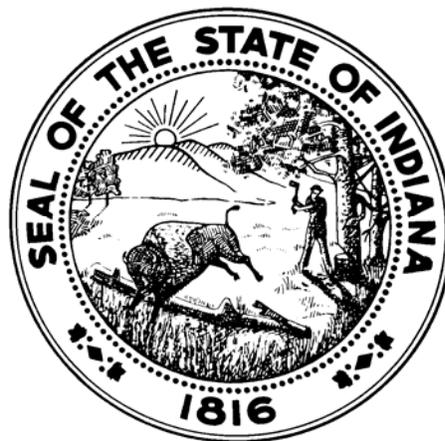


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF SULPHUR SPRINGS
HENRY COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
11/14/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Donald Swoveland

01-01-04 to 12-31-07

President of the
Town Council

Mike Drake
Richard Youngs

01-01-05 to 12-31-05
01-01-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SULPHUR SPRINGS, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Sulphur Springs (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.

STATE BOARD OF ACCOUNTS

October 10, 2007

TOWN OF SULPHUR SPRINGS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 29,369	\$ 36,071	\$ 40,258	\$ 25,182
Motor Vehicle Highway	1,900	11,182	5,582	7,500
Local Road and Street	5,602	6,009	2,269	9,342
Law Enforcement Continuing Education	132	1,140	359	913
Riverboat	-	2,182	-	2,182
Cumulative Capital Improvement	670	1,867	1,904	633
Cumulative Capital Development	9,383	2,180	46	11,517
Levy Excess	-	387	-	387
Totals	<u>\$ 47,056</u>	<u>\$ 61,018</u>	<u>\$ 50,418</u>	<u>\$ 57,656</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 25,182	\$ 42,380	\$ 47,651	\$ 19,911
Motor Vehicle Highway	7,500	12,860	9,929	10,431
Local Road and Street	9,342	5,737	3,952	11,127
Law Enforcement Continuing Education	913	22,699	23,590	22
Riverboat	2,182	2,177	-	4,359
Cumulative Capital Improvement	633	1,236	202	1,667
Cumulative Capital Development	11,517	1,896	8,500	4,913
Levy Excess	387	-	387	-
Totals	<u>\$ 57,656</u>	<u>\$ 88,985</u>	<u>\$ 94,211</u>	<u>\$ 52,430</u>

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

TOWN OF SULPHUR SPRINGS
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, culture and recreation, highway and streets 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 SULPHUR SPRINGS
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies were present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."
- (2) There were a considerable number of posting errors. These errors included deposits not receipted and interest not posted.
- (3) Form 206, Treasurer's Monthly Financial Statement and Depository Reconciliation, was not in use during the period examined.
- (4) A receipt form was not issued for the proceeds from the sale of a police car.

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)

CAPITAL ASSET RECORDS

The Town does not maintain a record of capital assets.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

PAYROLL DEDUCTIONS

Payments were made to the town marshal for "Operation Pullover" without payroll deductions for taxes during 2005 and 2006. Also, a payment to a town board member who resigned early in the year was made without payroll deductions for taxes in 2006.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SULPHUR SPRINGS
EXAMINATION RESULTS AND COMMENTS
(Continued)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	\$ 1,730
Local Road and Street	2006	952
Motor Vehicle Highway	2006	1,429
Cumulative Capital Development	2006	2,500

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ANNUAL FINANCIAL REPORT

The annual financial report for the year ended December 31, 2005, was not filed with the State Examiner.

Indiana Code 5-11-1-4 states: "(a) The state examiner shall require from every municipality and every state or 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 end of each year: (1) A municipal government."

TOWN OF SULPHUR SPRINGS
EXIT CONFERENCE

The contents of this report were discussed on October 10, 2007, with Donald Swoveland, Clerk-Treasurer; and Richard Youngs, President of the Town Council. The officials concurred with our findings.