

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

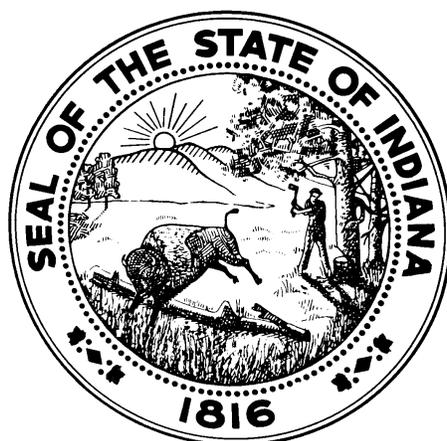
AUDIT REPORT

OF

TOWN OF BARGERSVILLE

JOHNSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
12/20/2007

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gayle Allard (Vacant) Amy Carson	01-01-05 to 06-02-06 06-03-06 to 06-28-06 06-29-06 to 12-31-07
President of the Town Council	Laura Lowe	01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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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 BARGERSVILLE, JOHNSON COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bargersville (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, 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. As discussed in Note I, the Town has presented the business-type activities in a separately issued report.

In accordance with Government Auditing Standards, we have also issued a report dated September 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 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, and Schedule of Long-Term Debt 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. The Schedule of Long-Term Debt has not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 27, 2007



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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 BARGERSVILLE, JOHNSON COUNTY, INDIANA

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Bargersville (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 September 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.

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.

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.

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. We did not identify any deficiencies in internal control over financial reporting that we consider to be significant deficiencies or material weaknesses, as defined above.

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)

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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management in a separate letter dated September 27, 2007.

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

September 27, 2007

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

<u>Functions/Programs</u>	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets	
	Disbursements	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Totals
Primary government:					
Governmental activities:					
General government	\$ 324,904	\$ 170	\$ 6,554	\$ (318,180)	\$ (318,180)
Public safety	394,089	2,159	-	(391,930)	(391,930)
Highways and streets	226,404	-	121,254	(105,150)	(105,150)
Economic development	34,992	14,932	-	(20,060)	(20,060)
Interest on long-term debt	59,174	-	-	(59,174)	(59,174)
Total primary government	\$ 1,039,563	\$ 17,261	\$ 127,808	(894,494)	(894,494)
General receipts:					
Property taxes				622,357	622,357
Other local sources				189,403	189,403
Grants and contributions not restricted to specific programs				26,457	26,457
Unrestricted investment earnings				12,358	12,358
Total general receipts				850,575	850,575
Change in net assets				(43,919)	(43,919)
Net assets - beginning				676,151	676,151
Net assets - ending				\$ 632,232	\$ 632,232
 <u>Assets</u>					
Cash and investments				\$ 54,706	\$ 54,706
Restricted assets:					
Cash and investments				577,526	577,526
Total assets				\$ 632,232	\$ 632,232
 <u>Net Assets</u>					
Restricted for:					
Culture and recreation				\$ 200	\$ 200
Debt service				45,339	45,339
Other purposes				531,987	531,987
Unrestricted				54,706	54,706
Total net assets				\$ 632,232	\$ 632,232

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

TOWN OF BARGERSVILLE
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	Local Road and Street	Town Hall Debt Payment	Capital Improvement Bond	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 536,727	\$ -	\$ -	\$ 39,735	\$ -	\$ 85,895	\$ 662,357
Licenses and permits	14,932	-	-	-	-	170	15,102
Intergovernmental	26,457	90,822	30,432	-	-	6,554	154,265
Fines and forfeits	75	-	-	-	-	2,084	2,159
Other	70,575	-	-	78,220	9,590	3,376	161,761
Total receipts	648,766	90,822	30,432	117,955	9,590	98,079	995,644
Disbursements:							
General government	260,795	-	-	-	-	4,204	264,999
Public safety	393,094	-	-	-	-	995	394,089
Highways and streets	-	62,246	4,344	-	129,814	-	196,404
Urban redevelopment and housing	-	-	-	-	-	34,992	34,992
Debt service:							
Principal	-	-	-	59,905	-	30,000	89,905
Interest	-	-	-	43,595	-	15,579	59,174
Total disbursements	653,889	62,246	4,344	103,500	129,814	85,770	1,039,563
Excess (deficiency) of receipts over disbursements	(5,123)	28,576	26,088	14,455	(120,224)	12,309	(43,919)
Other financing sources (uses):							
Transfers in	49,039	-	-	-	-	-	49,039
Transfers out	-	-	-	(42,485)	-	(6,554)	(49,039)
Total other financing sources (uses)	49,039	-	-	(42,485)	-	(6,554)	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	43,916	28,576	26,088	(28,030)	(120,224)	5,755	(43,919)
Cash and investment fund balance - beginning	10,790	84,123	65,735	28,973	401,473	85,057	676,151
Cash and investment fund balance - ending	\$ 54,706	\$ 112,699	\$ 91,823	\$ 943	\$ 281,249	\$ 90,812	\$ 632,232
Cash and Investment Assets - December 31							
Cash and investments	\$ 54,706	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,706
Restricted assets:							
Cash and investments	-	112,699	91,823	943	281,249	90,812	577,526
Total cash and investment assets - December 31	\$ 54,706	\$ 112,699	\$ 91,823	\$ 943	\$ 281,249	\$ 90,812	\$ 632,232
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200	\$ 200
Debt service	-	-	-	943	-	44,396	45,339
Other purposes	-	112,699	91,823	-	281,249	46,216	531,987
Unrestricted	54,706	-	-	-	-	-	54,706
Total cash and investment fund balance - December 31	\$ 54,706	\$ 112,699	\$ 91,823	\$ 943	\$ 281,249	\$ 90,812	\$ 632,232

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

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

	<u>Payroll Fund</u>
Additions:	
Agency fund additions	<u>\$ 2,283,614</u>
Deductions:	
Agency fund deductions	<u>2,290,088</u>
Deficiency of total additions over total deductions	(6,474)
Cash and investment fund balance - beginning	<u>12,053</u>
Cash and investment fund balance - ending	<u><u>\$ 5,579</u></u>

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

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

<u>Functions/Programs</u>	<u>Disbursements</u>	<u>Program Receipts</u>		<u>Net (Disbursement) Receipt and Changes in Net Assets</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Primary Government</u>	
				<u>Governmental Activities</u>	<u>Totals</u>
Primary government:					
Governmental activities:					
General government	\$ 549,148	\$ 939	\$ 8,808	\$ (539,401)	\$ (539,401)
Public safety	459,424	8,834	-	(450,590)	(450,590)
Highways and streets	180,579	-	111,252	(69,327)	(69,327)
Sanitation	-	15,500	-	15,500	15,500
Economic development	40,000	17,196	-	(22,804)	(22,804)
Culture and recreation	31,894	-	19,620	(12,274)	(12,274)
Interest on long-term debt	34,954	-	-	(34,954)	(34,954)
Total primary government	<u>\$ 1,295,999</u>	<u>\$ 42,469</u>	<u>\$ 139,680</u>	<u>(1,113,850)</u>	<u>(1,113,850)</u>
General receipts:					
Property taxes				704,702	704,702
Other local sources				125,662	125,662
Grants and contributions not restricted to specific programs				4,079	4,079
Unrestricted investment earnings				13,737	13,737
Total general receipts				<u>848,180</u>	<u>848,180</u>
Change in net assets				(265,670)	(265,670)
Net assets - beginning				632,232	632,232
Net assets - ending				<u>\$ 366,562</u>	<u>\$ 366,562</u>
<u>Assets</u>					
Cash and investments				\$ 81,961	\$ 81,961
Restricted assets:					
Cash and investments				284,601	284,601
Total assets				<u>\$ 366,562</u>	<u>\$ 366,562</u>
<u>Net Assets</u>					
Restricted for:					
Culture and recreation				\$ 16,812	\$ 16,812
Debt service				50,969	50,969
Other purposes				216,821	216,821
Unrestricted				81,960	81,960
Total net assets				<u>\$ 366,562</u>	<u>\$ 366,562</u>

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

TOWN OF BARGERSVILLE
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	Local Road and Street	Town Hall Debt Payment	Capital Improvement Bond	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 554,537	\$ -	\$ -	\$ 78,349	\$ -	\$ 71,816	\$ 704,702
Licenses and permits	17,196	-	-	-	-	939	18,135
Intergovernmental	4,078	82,795	28,456	-	-	28,428	143,757
Charges for services	15,500	-	-	-	-	-	15,500
Fines and forfeits	300	-	-	-	-	8,534	8,834
Other	55,856	-	-	77,879	5,166	500	139,401
Total receipts	647,467	82,795	28,456	156,228	5,166	110,217	1,030,329
Disbursements:							
General government	252,765	-	-	30	286,116	10,237	549,148
Public safety	429,717	-	-	-	-	8,418	438,135
Highways and streets	-	74,160	45,000	-	-	11,419	130,579
Culture and recreation	6,731	-	-	-	-	25,163	31,894
Urban redevelopment and housing	-	-	-	-	-	40,000	40,000
Debt service:							
Principal	-	-	-	21,289	-	50,000	71,289
Interest	-	-	-	13,211	-	21,743	34,954
Total disbursements	689,213	74,160	45,000	34,530	286,116	166,980	1,295,999
Excess (deficiency) of receipts over disbursements	(41,746)	8,635	(16,544)	121,698	(280,950)	(56,763)	(265,670)
Other financing sources (uses):							
Transfers in	69,000	-	-	-	-	3,750	72,750
Transfers out	-	-	-	(72,750)	-	-	(72,750)
Total other financing sources (uses)	69,000	-	-	(72,750)	-	3,750	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	27,254	8,635	(16,544)	48,948	(280,950)	(53,013)	(265,670)
Cash and investment fund balance - beginning	54,706	112,699	91,823	943	281,249	90,812	632,232
Cash and investment fund balance - ending	<u>\$ 81,960</u>	<u>\$ 121,334</u>	<u>\$ 75,279</u>	<u>\$ 49,891</u>	<u>\$ 299</u>	<u>\$ 37,799</u>	<u>\$ 366,562</u>
Cash and Investment Assets - December 31							
Cash and investments	\$ 81,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 81,960
Restricted assets:							
Cash and investments	-	121,334	75,279	49,891	299	37,799	284,602
Total cash and investment assets - December 31	\$ 81,960	\$ 121,334	\$ 75,279	\$ 49,891	\$ 299	\$ 37,799	\$ 366,562
Cash and Investment Fund Balance - December 31							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,812	\$ 16,812
Debt service	-	-	-	49,891	-	1,078	50,969
Other purposes	-	121,334	75,279	-	299	19,909	216,821
Unrestricted	81,960	-	-	-	-	-	81,960
Total cash and investment fund balance - December 31	\$ 81,960	\$ 121,334	\$ 75,279	\$ 49,891	\$ 299	\$ 37,799	\$ 366,562

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

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

	Payroll Fund
Additions:	
Agency fund additions	<u>\$ 1,561,209</u>
Deductions:	
Agency fund deductions	<u>1,561,123</u>
Excess of total additions over total deductions	86
Cash and investment fund balance - beginning	<u>5,579</u>
Cash and investment fund balance - ending	<u><u>\$ 5,665</u></u>

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

TOWN OF BARGERSVILLE
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, electric, storm water, water, and wastewater.

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

Primary Government: Town of Bargersville

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

Related Organizations

The Town's officials are also responsible for appointing the members of the boards of other organizations, but the Town's accountability for these organizations does not extend beyond making the appointments. The Town appoints the board members of the Redevelopment Commission.

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 and business-type funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Business-type activities of the Water, Wastewater, Storm Water, and Electric Utilities are reported separately in a report dated September 20, 2007.

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 and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental 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 is used to account for state motor vehicle highway distributions. The fund is principally used for the construction and maintenance of streets and alleys.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

The local road and street fund is used to account for state gasoline tax distributions made from the local road and street account. Money shall be used for construction, maintenance, or rehabilitation of local road and street systems, the payment of principal and interest on bonds sold primarily to finance road and street projects, or the purchase, rental, or repair of highway equipment.

The town hall debt payment fund is used to account for the payments related to the lease of the town hall.

The capital improvement bond fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The Town reports the following major proprietary funds in a separate report dated September 20, 2007:

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.

The storm water utility fund accounts for the operation of the storm water collection system.

The electric utility fund accounts for the operation of the electric distribution system.

C. Measurement Focus and Basis of Accounting

The government-wide, governmental 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. All government-wide financials would be presented on the accrual basis of accounting.

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 Water, Wastewater, Storm Water, and Electric Utilities and the Town. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 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.

E. Receipts and Disbursements

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.

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.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

A. 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, 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.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

B. Disbursements in Excess of Appropriations

For the years ended December 31, 2006, disbursements exceeded budgeted appropriations in the following fund by the amount below:

Fund	2006
Motor Vehicle Highway	\$ 9,555

These disbursements were funded by available fund balance.

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
Town Hall Debt Payment	General Fund	\$ 42,485	\$ 69,000
	Town Hall Maintenance	-	3,750
Cumulative Capital Improvement	General Fund	6,554	-
Totals		\$ 49,039	\$ 72,750

The Town typically uses transfers for cash flow purposes as provided by various statutory provisions. In both 2005 and 2006, transfers of property taxes were made from the Town Hall Debt Service Fund to the General Fund without statutory provisions.

C. Restatements and Reclassifications

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent differences between the reported cash balances and the reconciled balances.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Opinion Unit	Balance as Reported December 31, 2004	Prior Period Adjustments	Balance as Restated January 1, 2005
General	\$ (7,102)	\$ 17,892	\$ 10,790
Motor Vehicle Highway	103,289	(19,166)	84,123
Local Road and Street	68,029	(2,294)	65,735
Other Governmental Funds	95,068	(10,011)	85,057
Payroll	25,939	(13,886)	12,053

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; and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; 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.

B. Holding Corporation

The Town has entered into a capital lease with Bargersville Town Hall Building Corporation (the lessor). The lessor was organized as a not-for-profit corporation pursuant to state statute for the purpose of financing and constructing or reconstructing facilities for lease to the Town. The lessor has been determined to be a related party of the Town. Lease payments during the years ending December 31, 2005 and 2006, respectively, totaled \$103,500 and \$34,500.

C. Subsequent Events

On August 21, 2007, the Water Utility loaned the Town General Fund \$75,000.

On February 21, 2007, the Town entered into a capital lease to lease a police vehicle. The Town will pay 12 quarterly payments in the amount of \$2,077 beginning April 26, 2007.

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

D. Pension Plans

1. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Town is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF. The Town's contributions to the plan for the years ending December 31, 2006, 2005, and 2004, were \$36,701, \$36,875, and \$40,459, respectively, equal to the required contributions for each year.

2. Defined Contribution Pension Plans

Plan Description

The Town has a defined contribution pension plan administered by Principal Financial Group as authorized by Indiana Code 8-1.5-3-7. The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Town and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes financial statements and required supplementary information of the plan. That report may be obtained by contacting:

TOWN OF BARGERSVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

Principal Financial Group
111 West State Street, P.O. 2004
Mason City, Iowa 50932-0001
Ph. (641)421-6268

Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established by the written agreement between the Town and the Plan Administrator. Plan members are required to contribute 5% of the annual covered salary. The Town is required to contribute at an actuarially determined rate. The current rate is 5% of annual covered payroll. Employer and employee contributions to the plan during 2006 were \$86,090 and \$83,898, respectively.

TOWN OF BARGERSVILLE
 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

	Rainy Day	Law Enforcement Continuing Education	Park Nonreverting	Debt Service Payment	Cumulative Capital Improvement
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 65,989	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	6,554
Fines and forfeits	-	2,084	-	-	-
Other	-	-	200	-	-
Total receipts	-	2,084	200	65,989	6,554
Disbursements:					
General government	-	-	-	-	-
Public safety	-	995	-	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	30,000	-
Interest	-	-	-	15,579	-
Total disbursements	-	995	-	45,579	-
Excess (deficiency) of receipts over disbursements	-	1,089	200	20,410	6,554
Other financing sources (uses):					
Transfers out	-	-	-	-	(6,554)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	1,089	200	20,410	-
Cash and investment fund balance - beginning	12,189	2,548	-	23,986	3
Cash and investment fund balance - ending	<u>12,189</u>	<u>3,637</u>	<u>200</u>	<u>44,396</u>	<u>3</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>12,189</u>	<u>3,637</u>	<u>200</u>	<u>44,396</u>	<u>3</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ 200	\$ -	\$ -
Debt service	-	-	-	44,396	-
Other purposes	12,189	3,637	-	-	3
Total cash and investment fund balance - December 31	<u>12,189</u>	<u>3,637</u>	<u>200</u>	<u>44,396</u>	<u>3</u>

TOWN OF BARGERSVILLE
 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
 (Continued)

	Cumulative Capital Development	Gun Permit	Park and Recreation	Town Hall Maintenance	Totals
Receipts:					
Taxes	\$ 19,906	\$ -	\$ -	\$ -	\$ 85,895
Licenses and permits	-	170	-	-	170
Intergovernmental	-	-	-	-	6,554
Fines and forfeits	-	-	-	-	2,084
Other	-	-	-	3,176	3,376
Total receipts	19,906	170	-	3,176	98,079
Disbursements:					
General government	-	-	-	4,204	4,204
Public safety	-	-	-	-	995
Urban redevelopment and housing	34,992	-	-	-	34,992
Debt service:					
Principal	-	-	-	-	30,000
Interest	-	-	-	-	15,579
Total disbursements	34,992	-	-	4,204	85,770
Excess (deficiency) of receipts over disbursements	(15,086)	170	-	(1,028)	12,309
Other financing sources (uses):					
Transfers out	-	-	-	-	(6,554)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(15,086)	170	-	(1,028)	5,755
Cash and investment fund balance - beginning	41,513	2,425	-	2,393	85,057
Cash and investment fund balance - ending	<u>\$ 26,427</u>	<u>\$ 2,595</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ 90,812</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>\$ 26,427</u>	<u>\$ 2,595</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ 90,812</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ -	\$ -	\$ 200
Debt service	-	-	-	-	44,396
Other purposes	26,427	2,595	-	1,365	46,216
Total cash and investment fund balance - December 31	<u>\$ 26,427</u>	<u>\$ 2,595</u>	<u>\$ -</u>	<u>\$ 1,365</u>	<u>\$ 90,812</u>

TOWN OF BARGERSVILLE
 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

	Rainy Day	Law Enforcement Continuing Education	Park Nonreverting	Debt Service Payment	Cumulative Capital Improvement
Receipts:					
Taxes	\$ -	\$ -	\$ -	\$ 28,425	\$ -
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	8,808
Fines and forfeits	-	8,534	-	-	-
Other	-	-	-	-	-
Total receipts	-	8,534	-	28,425	8,808
Disbursements:					
General government	-	-	-	-	7,278
Public safety	-	8,418	-	-	-
Highways and streets	11,419	-	-	-	-
Culture and recreation	-	-	63	-	-
Urban redevelopment and housing	-	-	-	-	-
Debt service:					
Principal	-	-	-	50,000	-
Interest	-	-	-	21,743	-
Total disbursements	11,419	8,418	63	71,743	7,278
Excess (deficiency) of receipts over disbursements	(11,419)	116	(63)	(43,318)	1,530
Other financing sources (uses):					
Transfers in	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(11,419)	116	(63)	(43,318)	1,530
Cash and investment fund balance - beginning	12,189	3,637	200	44,396	3
Cash and investment fund balance - ending	<u>\$ 770</u>	<u>\$ 3,753</u>	<u>\$ 137</u>	<u>\$ 1,078</u>	<u>\$ 1,533</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>\$ 770</u>	<u>\$ 3,753</u>	<u>\$ 137</u>	<u>\$ 1,078</u>	<u>\$ 1,533</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ 137	\$ -	\$ -
Debt service	-	-	-	1,078	-
Other purposes	770	3,753	-	-	1,533
Total cash and investment fund balance - December 31	<u>\$ 770</u>	<u>\$ 3,753</u>	<u>\$ 137</u>	<u>\$ 1,078</u>	<u>\$ 1,533</u>

TOWN OF BARGERSVILLE
 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
 (Continued)

	Cumulative Capital Development	Gun Permit	Park and Recreation	Town Hall Maintenance	Totals
Receipts:					
Taxes	\$ 21,236	\$ -	\$ 22,155	\$ -	\$ 71,816
Licenses and permits	-	939	-	-	939
Intergovernmental	-	-	19,620	-	28,428
Fines and forfeits	-	-	-	-	8,534
Other	-	-	-	500	500
Total receipts	<u>21,236</u>	<u>939</u>	<u>41,775</u>	<u>500</u>	<u>110,217</u>
Disbursements:					
General government	-	-	-	2,959	10,237
Public safety	-	-	-	-	8,418
Highways and streets	-	-	-	-	11,419
Culture and recreation	-	-	25,100	-	25,163
Urban redevelopment and housing	40,000	-	-	-	40,000
Debt service:					
Principal	-	-	-	-	50,000
Interest	-	-	-	-	21,743
Total disbursements	<u>40,000</u>	<u>-</u>	<u>25,100</u>	<u>2,959</u>	<u>166,980</u>
Excess (deficiency) of receipts over disbursements	<u>(18,764)</u>	<u>939</u>	<u>16,675</u>	<u>(2,459)</u>	<u>(56,763)</u>
Other financing sources (uses):					
Transfers in	-	-	-	3,750	3,750
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(18,764)</u>	<u>939</u>	<u>16,675</u>	<u>1,291</u>	<u>(53,013)</u>
Cash and investment fund balance - beginning	<u>26,427</u>	<u>2,595</u>	<u>-</u>	<u>1,365</u>	<u>90,812</u>
Cash and investment fund balance - ending	<u>\$ 7,663</u>	<u>\$ 3,534</u>	<u>\$ 16,675</u>	<u>\$ 2,656</u>	<u>\$ 37,799</u>
Cash and Investment Assets - December 31					
Restricted assets:					
Cash and investments	<u>\$ 7,663</u>	<u>\$ 3,534</u>	<u>\$ 16,675</u>	<u>\$ 2,656</u>	<u>\$ 37,799</u>
Cash and Investment Fund Balance - December 31					
Restricted for:					
Culture and recreation	\$ -	\$ -	\$ 16,675	\$ -	\$ 16,812
Debt service	-	-	-	-	1,078
Other purposes	<u>7,663</u>	<u>3,534</u>	<u>-</u>	<u>2,656</u>	<u>19,909</u>
Total cash and investment fund balance - December 31	<u>\$ 7,663</u>	<u>\$ 3,534</u>	<u>\$ 16,675</u>	<u>\$ 2,656</u>	<u>\$ 37,799</u>

TOWN OF BARGERSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Capital leases:		
Town Hall	\$ 382,614	\$ 44,689
Bonds payable:		
General obligation bonds:		
2003 Road Improvements	<u>340,000</u>	<u>20,000</u>
Total governmental activities long-term debt	<u>\$ 722,614</u>	<u>\$ 64,689</u>

TOWN OF BARGERSVILLE
OTHER REPORT

The audit report presented herein was prepared in addition to the official report prepared for the individual Town office listed below:

Water, Wastewater, Storm Water, and Electric Utilities

TOWN OF BARGERSVILLE
AUDIT RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Information presented for audit did not indicate an inventory or record of capital assets had been completed.

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 form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS

The following official bonds were not filed in the office of the County Recorder:

Clerk-Treasurer
Blanket Bond

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. . . ."

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconciliements, as of December 31, 2006, revealed checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

TOWN OF BARGERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

FINANCE CHARGES

The Town incurred, and subsequently paid, financial charges for delinquent payment of vendor invoices during 2006.

1. A late payment charge of \$12.02 was paid to Vectron on March 3, 2006.
2. A late payment fee of \$2.55 was paid to Sprint on March 31, 2006.
3. A late fee of \$15.00 and finance charges of \$0.75 were paid to Visa on May 10, 2006.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit. Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX

Sales tax was paid on some purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

REPAYMENTS AND TRANSFERS

The amounts of \$39,735 and \$69,000 were paid in 2005 and 2006, respectively, to the General Fund from the Town Hall Maintenance Fund. Additionally, the Cumulative Capital Improvement Fund transferred \$6,993 to the General Fund.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for audit for the Town Hall Maintenance, Town Hall Debt Payment, Capital Improvement Bond, and Payroll Funds.

TOWN OF BARGERSVILLE
 AUDIT RESULTS AND COMMENTS
 (Continued)

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."

CONDITION OF RECORDS

Financial records presented for audit were incomplete and not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. Many transactions were not recorded in the ledger at all during the audit period.

At all times, the manual and/or 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)

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Motor Vehicle Highway	2006	\$ <u>9,555</u>

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."

OVERPAYMENT OF EMPLOYEE

During testing of payroll, we discovered the time sheet prepared by Ola Doty, Custodian, was not computed properly. Upon inquiry with the Clerk-Treasurer, we were informed that Ms. Doty's adult granddaughter comes in on Saturdays and helps clean the Town Hall. We were advised that Ms. Doty includes the hours worked by her granddaughter in the total hours worked on the time card. For example: If Ms. Doty worked 8 a.m. to 12 p.m. the extension would be 8 hours, because her granddaughter also worked 4 hours. Ms. Doty's paycheck was computed using the total hours worked, including those worked by her granddaughter. Any payment to the granddaughter was made by Ms. Doty. The Clerk-Treasurer was aware of this practice, which dates back to 2001.

TOWN OF BARGERSVILLE
AUDIT RESULTS AND COMMENTS
(Continued)

The Town Council should retroactively amend each salary ordinance dating back to 2001 to agree to the actual amount paid to Ola Doty. If the amendment is not made, the difference between the hours worked by Ms. Doty and what she was paid will become the personal responsibility of Ms. Doty.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, 55-1)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (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
Fax: (317) 232-4711
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 BARGERSVILLE, JOHNSON COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Bargersville (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 non-compliance 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 City complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2006-1 and 2006-2.

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.

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

September 27, 2007

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

Federal Grantor Agency/Pass-Through Entity Cluster Title/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 AGRICULTURE</u>				
Community Facilities Loans and Grants Storm Water Improvement Project	10.766		\$ 1,707,122	\$ 275,878
<u>U.S. DEPARTMENT OF COMMERCE</u>				
Pass-Through Lieutenant Governor Community Development Block Grants/State's Program CF-04-104 PL-04-040	14.228	N/A	500,000 -	- 19,620
Total for federal grantor agency			<u>500,000</u>	<u>19,620</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster State and Community Highway Safety Operation Pull Over (BBC)	20.600	N/A	2,209	3,882
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants Traffic safety equipment	20.601	N/A	-	5,261
Total for federal grantor agency			<u>2,209</u>	<u>9,143</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Public Assistance Grants Disaster 3197 Winter Snow Storm	97.036	N/A	7,203	-
Total federal awards expended			<u>\$ 2,216,534</u>	<u>\$ 304,641</u>

The accompanying note is an integral part of the Schedule of Expenditures of Federal Awards.

TOWN OF BARGERSVILLE
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Bargersville (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 Towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF BARGERSVILLE
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
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies 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? yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.766	Community Facilities Loans and Grants
14.228	Community Development Block Grants/State's Program

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

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

Section III – Federal Award Findings and Questioned Costs

FINDING 2006-1, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Agriculture
Federal Program: Community Facilities Loans and Grants
CFDA Number: 10.766

The Code of Federal Regulations 40 CFR 31.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.
- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least every two years."

The Town does not maintain records for equipment and other property acquired with Federal monies. No system exists to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records.

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory results to such records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended the Town design and properly monitor procedures to ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted at least every two years and reconciled to the detailed capital asset ledger. Any significant difference should be investigated and appropriate adjustments made to the records. Also, any assets acquired with Federal funds must be designated as such so that they are disposed of properly.

FINDING 2006-2, EQUIPMENT AND REAL PROPERTY MANAGEMENT

Federal Agency: U.S. Department of Commerce
Federal Program: Community Development Block Grants/State's Program
CFDA Number: 14.228
Award Numbers: CF-04-104 and PL-04-040
Pass-Through Agency: Indiana Lieutenant Governor's Office

The Code of Federal Regulations 40 CFR 31.32(d) states in part:

- "(1) Property records must be maintained that include a description of the property, a serial number or other identification number, the source of property, who holds title, the acquisition date, and cost of the property, percentage of Federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition date including the date of disposal and sale price of the property.

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

- (2) A physical inventory of the property must be taken and the results reconciled with the property records at least every two years."

The Town does not maintain records for equipment and other property acquired with Federal monies. No system exists to provide separate identification for items acquired with Federal and non-Federal funds. Without adequate accounting records, periodic physical inventories cannot be compared to property records.

Failure to maintain detailed and accurate equipment and property records and to reconcile physical inventory results to such records could result in assets being lost, stolen, misappropriated, or disposed of improperly and not detected within a reasonable time.

We recommended the Town design and properly monitor procedures to ensure accurate detailed capital asset records are maintained and that inventories of property and equipment are conducted at least every two years and reconciled to the detailed capital asset ledger. Any significant difference should be investigated and appropriate adjustments made to the records. Also, any assets acquired with Federal funds must be designated as such so that they are disposed of properly.

TOWN OF BARGERSVILLE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.



TOWN OF BARGERSVILLE

P.O. Box 420 • Bargersville, Indiana 46106

Phone: 422-5115 • FAX 422-5117

www.townofbargersville.org

POWER & LIGHT • WATER WORKS • SANITATION DEPT. • STORM WATER

September 27, 2007

Re: Corrective Action Plan
Finding 2006-1 Equipment and Real Property Management
Federal Agency: U.S. Department of Agriculture
Federal Program: Community Facilities Loan and Grant Program
CFDA Number: 10.766

To Whom It May Concern:

We will design and implement procedures to ensure accurate detailed capital assets records are maintained and that inventories of property and equipment are conducted at least every two years and reconciled to the detailed capital asset ledger.

Sincerely,

Amy Carson
Clerk-Treasurer



TOWN OF BARGERSVILLE

P.O. Box 420 • Bargersville, Indiana 46106

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www.townofbargersville.org

POWER & LIGHT • WATER WORKS • SANITATION DEPT. • STORM WATER

September 27, 2007

Re: Corrective Action Plan
Finding 2006-2 Equipment and Real Property Management
Federal Agency: U.S. Department of Commerce
Federal Program: Community Development Block Program
CFDA Number: 14.228
Pass-Through Agency: Indiana Lieutenant Governor's Office

To Whom It May Concern:

We will design and implement procedures to ensure accurate detailed capital assets records are maintained and that inventories of property and equipment are conducted at least every two years and reconciled to the detailed capital asset ledger.

Sincerely,

Amy Carson
Clerk-Treasurer

TOWN OF BARGERSVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 30, 2007, with Amy Carson, Clerk-Treasurer; and David Eger, Town Council member. The officials concurred with our audit findings.