

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

EXAMINATION REPORT

OF

TOWN OF BOURBON

MARSHALL COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
05/13/2008



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kimberly A. Berger	01-01-04 to 12-31-11
President of the Town Council	Bill Keyser Larry Wallenbarger	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Utilities	Michael McFarland	01-01-06 to 12-31-08



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BOURBON, MARSHALL COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Bourbon (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, 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 required parts 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

March 18, 2008

TOWN OF BOURBON  
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 313,134	\$ 742,239	\$ 697,891	\$ 357,482
Motor Vehicle Highway	77,768	146,788	148,435	76,121
Center Street Project	398,262	-	398,262	-
Local Road and Street	50,794	11,504	-	62,298
Park and Recreation	222	-	-	222
Pretrial Deferral	820	-	-	820
UTA Installment Prom Note Repayment	48,137	769	-	48,906
Law Enforcement Continuing Education	14,366	334	262	14,438
IDOC Storm Water Rate Study	600	-	-	600
Indiana Criminal Justice Institute	135	-	-	135
Indiana Crim Justice Oper Pull-Over	140	2,951	3,022	69
Bourbon P.D. Dare Program	193	10	-	203
Community Development Block Grant	28,933	1,111	3,234	26,810
Emergency Medical Service	143,286	78,511	47,752	174,045
Rainy Day	5,331	-	-	5,331
Trash/Garbage Collections	17,115	76,163	74,654	18,624
Economic Development Commission	229	-	-	229
Fire Equipment Replacement Fund	94,241	12,456	-	106,697
Cumulative Capital Improvement	3,662	6,041	-	9,703
Cumulative Capital Development	44,396	20,975	3,115	62,256
Debt Service - Town Hall Renovation	16,535	33,488	33,259	16,764
Levy Excess	62,921	-	62,920	1
Bourbon Senior Activity Center	1,577	-	-	1,577
Park Donation	3,027	-	-	3,027
EMS Donation Radio	21,222	-	8,828	12,394
EMS Donation Ambulance	19,477	125	-	19,602
EMS Donation Training	2,545	1,330	-	3,875
Proprietary Funds:				
Water Utility - Operating	109,851	261,187	240,938	130,100
Water Utility - Depreciation	179,797	-	-	179,797
Water Utility - Customer Deposit	10,750	4,080	5,580	9,250
Wastewater Utility - Operating	8,469	272,999	243,687	37,781
Wastewater Utility - Bond and Interest	104,543	48,295	64,838	88,000
Wastewater Utility - Depreciation	19,376	6,541	-	25,917
Wastewater Utility - Construction	-	708,669	405,196	303,473
Storm Water	130,943	160,501	138,681	152,763
Fiduciary Fund:				
Payroll	6,263	512,623	512,076	6,810
Totals	<u>\$ 1,939,060</u>	<u>\$ 3,109,690</u>	<u>\$ 3,092,630</u>	<u>\$ 1,956,120</u>

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

TOWN OF BOURBON  
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, 2006 And 2007  
(Continued)

	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 357,482	\$ 761,053	\$ 782,700	\$ 335,835
Motor Vehicle Highway	76,121	199,378	231,690	43,809
Local Road and Street	62,298	11,891	40,000	34,189
Park and Recreation	222	-	-	222
Pretrial Deferral	820	110	-	930
UTA Installment Prom Note Repayment	48,906	994	-	49,900
Law Enforcement Continuing Education	14,438	4,650	3,527	15,561
IDOC Storm Water Rate Study	600	-	-	600
Indiana Criminal Justice Institute	135	-	-	135
Indiana Crim Justice Oper Pull-Over	69	2,375	2,344	100
Bourbon P.D. Dare Program	203	30	100	133
Community Development Block Grant	26,810	13,941	-	40,751
Emergency Medical Service	174,045	37,406	59,358	152,093
Rainy Day	5,331	91,295	-	96,626
Trash/Garbage Collections	18,624	78,216	71,086	25,754
Economic Development Commission	229	-	-	229
Fire Equipment Replacement Fund	106,697	13,682	-	120,379
Cumulative Capital Improvement	9,703	5,940	-	15,643
Cumulative Capital Development	62,256	18,111	10,000	70,367
Debt Service - Town Hall Renovation	16,764	29,848	32,074	14,538
Levy Excess	1	-	-	1
Bourbon Senior Activity Center	1,577	-	-	1,577
Park Donation	3,027	-	-	3,027
EMS Donation Radio	12,394	565	-	12,959
EMS Donation Ambulance	19,602	455	-	20,057
EMS Donation Training	3,875	-	-	3,875
Marshall County Foundation	-	45,000	15,000	30,000
Proprietary Funds:				
Water Utility - Operating	130,100	259,348	287,831	101,617
Water Utility - Depreciation	179,797	100,000	100,000	179,797
Water Utility - Customer Deposit	9,250	5,840	4,710	10,380
Wastewater Utility - Operating	37,781	277,648	243,044	72,385
Wastewater Utility - Bond and Interest	88,000	121,938	121,938	88,000
Wastewater Utility - Depreciation	25,917	11,774	-	37,691
Wastewater Utility - Construction	303,473	315,242	434,815	183,900
Storm Water	152,763	102,948	136,759	118,952
Fiduciary Fund:				
Payroll	6,810	555,269	559,021	3,058
Totals	<u>\$ 1,956,120</u>	<u>\$ 3,064,947</u>	<u>\$ 3,135,997</u>	<u>\$ 1,885,070</u>

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

TOWN OF BOURBON  
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 BOURBON  
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.

Note 7. Subsequent Event

On February 12, 2008 the Town Council proposed a 10% increase for both the Water and Wastewater Utilities effective May 1, 2008, and the same increase in 2009 effective May 1, 2009.

The Town is also planning on purchasing a vactor truck. The cost of a new International truck is approximately \$260,000. The new vactor truck will be financed with proceeds from the 2006 Wastewater Revenue bonds and a lease purchase option.

TOWN OF BOURBON  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF CAPITAL ASSETS

For the year Ended December 31, 2007

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 261,363
Infrastructure	589,057
Buildings	1,441,928
Improvements other than buildings	125,063
Machinery and equipment	<u>681,197</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 3,098,608</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 235,473
Infrastructure	1,974,272
Building	445,026
Improvements other than buildings	669,782
Machinery and equipment	<u>120,956</u>
Total Water Utility capital assets	<u>3,445,509</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 158,368
Infrastructure	2,170,755
Improvements other than buildings	1,078,701
Machinery and equipment	<u>475,830</u>
Total Wastewater Utility capital assets	<u>3,883,654</u>
Total business-type activities capital assets	<u>\$ 7,329,163</u>

TOWN OF BOURBON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 As of December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Bonds payable:		
General obligation bonds:		
Townhall renovations	\$ 30,000	\$ 30,889
Total governmental activities debt	<u>\$ 30,000</u>	<u>\$ 30,889</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
2006 Sewage Works Revenue Bonds	\$ 1,255,000	\$ 124,435
Total business-type activities debt:	<u>\$ 1,255,000</u>	<u>\$ 124,435</u>

TOWN OF BOURBON  
EXAMINATION RESULTS AND COMMENTS

REVENUE BOND PROCEEDS

On May 25, 2006, the Town of Bourbon issued \$1,350,000 of Sewage Works Revenue Bonds for the purpose of providing funds to pay certain sewage works and storm water improvements and to repay a Bond Anticipation Note. Of the \$1,350,000, the Town only received in \$750,000 plus accrued interest. The difference of \$600,000 was retained by the financial institution to satisfy an outstanding bond anticipation note.

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

PUBLIC WORKS CONTRACT IN EXCESS OF \$100,000

A public works contract was awarded for the Lagoon Control Structure for \$176,340. Retainage on the contract was calculated with each payment request from the contractor; however, the retainage was not withheld from each payment request or placed in an escrow account. A retainage of 5%, as required by contract was not withheld from each payment request.

Indiana Code 36-1-12-14(b) states in part: "A board that enters into a contract for public work, and a contractor who subcontracts parts of that contract, shall include in their respective contracts provisions for the retainage of portions of payments by the board to contractors, by contractors to subcontractors, and for the payment of subcontractors. At the discretion of the contractor, the retainage shall be held by the board or shall be placed in an escrow account, with a bank, savings and loan institution, or the state as the escrow agent. The escrow agent shall be selected by mutual agreement between board and contractor or contractor and subcontractor under a written agreement among the bank or savings and loan institution. . . ."

According to the Agreement Between Owner and Contractor dated October 10, 2006, Article II - Compensation to be paid to the Contractor, "Retainage equaling 5% of the completed work shall be withheld from each payment. Said retainage shall be payable to the Contractor 30 days after the Final Acceptance of the Work."

OVERPAYMENT OF HYDRANT RENTAL FEES

Overpayments of \$8,003 were made by the Town to Bourbon Water Utility. In 2006 and 2007, the Town budgeted for the payment of 92 fire hydrants which included nine private fire hydrants.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF BOURBON  
EXIT CONFERENCE

The contents of this report were discussed on March 18, 2008, with Kimberly A. Berger, Clerk-Treasurer; and Larry Wallenbarger, President of the Town Council. The officials concurred with our findings.