

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

AUDIT REPORT

OF

TOWN OF SANDBORN

KNOX COUNTY, INDIANA

January 1, 2006 to December 31, 2007



**FILED**  
05/14/2008



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda J. Hancock	01-01-04 to 12-31-11
President of the Town Council	Leota Brinson Donald R. Hill	01-01-06 to 07-02-07 07-03-07 to 12-31-08



**STATE OF INDIANA**  
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INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TO: THE OFFICIALS OF THE TOWN OF SANDBORN, KNOX COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sandborn (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note I, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the cash and investment basis and budget laws of the State of Indiana, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash and investment balances of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of December 31, 2006 and 2007, and the respective cash receipts and cash disbursements during the years then ended on the basis of accounting described in Note I.

In accordance with Government Auditing Standards, we have also issued a report dated March 27, 2008, 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.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

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.

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, Schedule of Capital Assets, 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 Capital Assets and Schedule of Long-Term Debt have 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 them.

STATE BOARD OF ACCOUNTS

March 27, 2008



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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 SANDBORN, KNOX COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sandborn (Town), as of and for the years ended December 31, 2006 and 2007, which collectively comprise the Town's basic financial statements and have issued our report thereon dated March 27, 2008. 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

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.

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

March 27, 2008

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

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
Governmental activities:							
General government	\$ 40,125	\$ 975	\$ 5,480	\$ 8,454	\$ (25,216)	\$ -	\$ (25,216)
Public safety	4,000	-	-	-	(4,000)	-	(4,000)
Highways and streets	26,626	1,090	20,917	-	(4,619)	-	(4,619)
Culture and recreation	17,726	5,605	4,145	-	(7,976)	-	(7,976)
Total governmental activities	88,477	7,670	30,542	8,454	(41,811)	-	(41,811)
Business-type activities:							
Water	105,429	95,745	-	-	-	(9,684)	(9,684)
Total government activities	<u>\$ 193,906</u>	<u>\$ 103,415</u>	<u>\$ 30,542</u>	<u>\$ 8,454</u>	<u>(41,811)</u>	<u>(9,684)</u>	<u>(51,495)</u>
General receipts:							
Property taxes					40,779	-	40,779
Other local sources					15,723	-	15,723
Miscellaneous					899	-	899
Unrestricted investment earnings					516	72	588
Total general receipts					57,917	72	57,989
Change in net assets					16,106	(9,612)	6,494
Net assets - beginning					82,315	15,390	97,705
Net assets - ending					<u>\$ 98,421</u>	<u>\$ 5,778</u>	<u>\$ 104,199</u>
<u>Assets</u>							
Cash and investments					\$ 45,280	\$ 1,993	\$ 47,273
Restricted assets:							
Cash and investments					53,141	3,785	56,926
Total assets					<u>\$ 98,421</u>	<u>\$ 5,778</u>	<u>\$ 104,199</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 9,887	\$ -	\$ 9,887
Highways and streets					33,616	-	33,616
Other purposes					9,638	3,785	13,423
Unrestricted					45,280	1,993	47,273
Total net assets					<u>\$ 98,421</u>	<u>\$ 5,778</u>	<u>\$ 104,199</u>

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

TOWN OF SANDBORN  
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	Park and Recreation	County Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 33,557	\$ 5,159	\$ -	\$ 2,063	\$ -	\$ -	\$ 40,779
Intergovernmental	21,204	18,329	2,587	885	6,843	4,871	54,719
Charges for services	975	1,090	-	-	-	5,605	7,670
Other	882	-	-	488	-	45	1,415
<b>Total receipts</b>	<b>56,618</b>	<b>24,578</b>	<b>2,587</b>	<b>3,436</b>	<b>6,843</b>	<b>10,521</b>	<b>104,583</b>
<b>Disbursements:</b>							
General government	33,856	-	-	-	6,269	-	40,125
Public safety	4,000	-	-	-	-	-	4,000
Highways and streets	7,750	18,284	592	-	-	-	26,626
Culture and recreation	-	-	-	5,245	-	12,481	17,726
<b>Total disbursements</b>	<b>45,606</b>	<b>18,284</b>	<b>592</b>	<b>5,245</b>	<b>6,269</b>	<b>12,481</b>	<b>88,477</b>
Excess (deficiency) of receipts over disbursements	11,012	6,294	1,995	(1,809)	574	(1,960)	16,106
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	1,000	1,000
Transfers out	(1,000)	-	-	-	-	-	(1,000)
<b>Total other financing sources (uses)</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,000</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	10,012	6,294	1,995	(1,809)	574	(960)	16,106
Cash and investment fund balance - beginning	35,268	16,014	9,313	6,564	794	14,362	82,315
<b>Cash and investment fund balance - ending</b>	<b>\$ 45,280</b>	<b>\$ 22,308</b>	<b>\$ 11,308</b>	<b>\$ 4,755</b>	<b>\$ 1,368</b>	<b>\$ 13,402</b>	<b>\$ 98,421</b>
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 45,280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 45,280
Restricted assets:							
Cash and investments	-	22,308	11,308	4,755	1,368	13,402	53,141
<b>Total cash and investment assets - December 31</b>	<b>\$ 45,280</b>	<b>\$ 22,308</b>	<b>\$ 11,308</b>	<b>\$ 4,755</b>	<b>\$ 1,368</b>	<b>\$ 13,402</b>	<b>\$ 98,421</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ 4,755	\$ -	\$ 5,132	\$ 9,887
Highways and streets	-	22,308	11,308	-	-	-	33,616
Other purposes	-	-	-	-	1,368	8,270	9,638
Unrestricted	45,280	-	-	-	-	-	45,280
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 45,280</b>	<b>\$ 22,308</b>	<b>\$ 11,308</b>	<b>\$ 4,755</b>	<b>\$ 1,368</b>	<b>\$ 13,402</b>	<b>\$ 98,421</b>

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

TOWN OF SANDBORN  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUND  
As of and for the Year Ended December 31, 2006

	Water Utility
Operating receipts:	
Metered water receipts:	
Residential	\$ 63,611
Industrial	362
Fire protection receipts	9,783
Penalties	1,004
Other water receipts	2,996
Other	17,989
Total operating receipts	95,745
Operating disbursements:	
Water treatment disbursements - operations and maintenance	795
Administration and general	518
Other	8,238
Salaries and wages	29,959
Employee pensions and benefits	4,444
Purchased power	4,054
Material and supplies	9,770
Contractual services	12,148
Transportation disbursements	674
Insurance disbursements	4,162
Miscellaneous disbursements	310
Total operating disbursements	75,072
Excess of operating receipts over operating disbursements	20,673
Nonoperating receipts (disbursements):	
Interest and investment receipts	72
Debt service of principal	(22,692)
Interest and investment disbursement	(7,665)
Total nonoperating disbursements	(30,285)
Deficiency of receipts over disbursements and nonoperating disbursements	(9,612)
Cash and investment fund balance - beginning	15,390
Cash and investment fund balance - ending	\$ 5,778
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 1,993
Restricted assets:	
Cash and investments	3,785
Total cash and investment assets - December 31	\$ 5,778
<u>Cash and Investment Fund Balance - December 31</u>	
Restricted for:	
Other purposes	\$ 3,785
Unrestricted	1,993
Total cash and investment fund balance - December 31	\$ 5,778

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

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

	Agency Fund
Additions:	
Agency fund additions	\$ 63,240
Deductions:	
Agency fund deductions	63,192
Excess of total additions over total deductions	48
Cash and investment fund balance - beginning	2,109
Cash and investment fund balance - ending	\$ 2,157

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

TOWN OF SANDBORN  
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS  
For The Year Ended December 31, 2007

Functions/Programs	Program Receipts				Net (Disbursements) Receipts and Changes in Net Assets		Totals
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities:							
General government	\$ 108,645	\$ 742	\$ 7,366	\$ 67,086	\$ (33,451)	\$ -	\$ (33,451)
Public safety	4,000	-	-	-	(4,000)	-	(4,000)
Highways and streets	30,165	-	20,372	-	(9,793)	-	(9,793)
Sanitation	384	-	-	-	(384)	-	(384)
Urban redevelopment and housing	142,882	-	-	142,882	-	-	-
Culture and recreation	15,887	4,630	8,061	-	(3,196)	-	(3,196)
Total governmental activities	<u>301,963</u>	<u>5,372</u>	<u>35,799</u>	<u>209,968</u>	<u>(50,824)</u>	<u>-</u>	<u>(50,824)</u>
Business-type activities:							
Water	93,578	93,492	-	-	-	(86)	(86)
Wastewater	2,461,533	31,005	-	870,300	-	(1,560,228)	(1,560,228)
Total business-type activities	<u>2,555,111</u>	<u>124,497</u>	<u>-</u>	<u>870,300</u>	<u>-</u>	<u>(1,560,314)</u>	<u>(1,560,314)</u>
Total government activities	<u>\$ 2,857,074</u>	<u>\$ 129,869</u>	<u>\$ 35,799</u>	<u>\$ 1,080,268</u>	<u>(50,824)</u>	<u>(1,560,314)</u>	<u>(1,611,138)</u>
General receipts:							
Property taxes					34,898	-	34,898
Other local sources					14,789	-	14,789
Miscellaneous					9,240	100	9,340
Bonds and loans					-	1,603,000	1,603,000
Unrestricted investment earnings					535	50	585
Total general receipts					<u>59,462</u>	<u>1,603,150</u>	<u>1,662,612</u>
Change in net assets					8,638	42,836	51,474
Net assets - beginning					<u>98,421</u>	<u>5,778</u>	<u>104,199</u>
Net assets - ending					<u>\$ 107,059</u>	<u>\$ 48,614</u>	<u>\$ 155,673</u>
<u>Assets</u>							
Cash and investments					\$ 34,960	\$ 32,787	\$ 67,747
Restricted assets:							
Cash and investments					<u>72,099</u>	<u>15,827</u>	<u>87,926</u>
Total assets					<u>\$ 107,059</u>	<u>\$ 48,614</u>	<u>\$ 155,673</u>
<u>Net Assets</u>							
Restricted for:							
Culture and recreation					\$ 16,152	\$ -	\$ 16,152
Construction					-	11,817	11,817
Highways and streets					35,838	-	35,838
Other purposes					20,109	4,010	24,119
Unrestricted					<u>34,960</u>	<u>32,787</u>	<u>67,747</u>
Total net assets					<u>\$ 107,059</u>	<u>\$ 48,614</u>	<u>\$ 155,673</u>

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

TOWN OF SANDBORN  
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, 2007

	General	Motor Vehicle Highway	Local Road And Street	Park and Recreation	County Economic Development Income Tax	Other Governmental Funds	Totals
<b>Receipts:</b>							
Taxes	\$ 21,776	\$ 4,240	\$ -	\$ 8,882	\$ -	\$ -	\$ 34,898
Intergovernmental	16,822	17,769	2,603	4,045	41,094	178,223	260,556
Charges for services	742	-	-	-	-	4,630	5,372
Other	8,571	25	-	129	-	1,050	9,775
<b>Total receipts</b>	<b>47,911</b>	<b>22,034</b>	<b>2,603</b>	<b>13,056</b>	<b>41,094</b>	<b>183,903</b>	<b>310,601</b>
<b>Disbursements:</b>							
General government	46,097	-	-	-	19,807	42,741	108,645
Public safety	4,000	-	-	-	-	-	4,000
Highways and streets	7,750	20,971	1,444	-	-	-	30,165
Sanitation	384	-	-	-	-	-	384
Culture and recreation	-	-	-	6,371	-	9,516	15,887
Urban redevelopment and housing	-	-	-	-	-	142,882	142,882
<b>Total disbursements</b>	<b>58,231</b>	<b>20,971</b>	<b>1,444</b>	<b>6,371</b>	<b>19,807</b>	<b>195,139</b>	<b>301,963</b>
Excess (deficiency) of receipts over disbursements	(10,320)	1,063	1,159	6,685	21,287	(11,236)	8,638
<b>Other financing sources (uses):</b>							
Transfers in	-	-	-	-	-	20,500	20,500
Transfers out	-	-	-	-	(10,500)	(10,000)	(20,500)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,500)</b>	<b>10,500</b>	<b>-</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(10,320)	1,063	1,159	6,685	10,787	(736)	8,638
Cash and investment fund balance - beginning	45,280	22,308	11,308	4,755	1,368	13,402	98,421
Cash and investment fund balance - ending	\$ 34,960	\$ 23,371	\$ 12,467	\$ 11,440	\$ 12,155	\$ 12,666	\$ 107,059
<b>Cash and Investment Assets - December 31</b>							
Cash and investments	\$ 34,960	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,960
Restricted assets:							
Cash and investments	-	23,371	12,467	11,440	12,155	12,666	72,099
<b>Total cash and investment assets - December 31</b>	<b>\$ 34,960</b>	<b>\$ 23,371</b>	<b>\$ 12,467</b>	<b>\$ 11,440</b>	<b>\$ 12,155</b>	<b>\$ 12,666</b>	<b>\$ 107,059</b>
<b>Cash and Investment Fund Balance - December 31</b>							
Restricted for:							
Culture and recreation	\$ -	\$ -	\$ -	\$ 11,440	\$ -	\$ 4,712	\$ 16,152
Highways and streets	-	23,371	12,467	-	-	-	35,838
Other purposes	-	-	-	-	12,155	7,954	20,109
Unrestricted	34,960	-	-	-	-	-	34,960
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 34,960</b>	<b>\$ 23,371</b>	<b>\$ 12,467</b>	<b>\$ 11,440</b>	<b>\$ 12,155</b>	<b>\$ 12,666</b>	<b>\$ 107,059</b>

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

TOWN OF SANDBORN  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
For The Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Metered water receipts:			
Residential	\$ 63,685	\$ -	\$ 63,685
Industrial	343	-	343
Fire protection receipts	9,890	-	9,890
Penalties	1,076	-	1,076
Other water revenue	700	-	700
Other	<u>17,798</u>	<u>31,005</u>	<u>48,803</u>
 Total operating receipts	 <u>93,492</u>	 <u>31,005</u>	 <u>124,497</u>
Operating disbursements:			
Water treatment disbursements - operations and maintenance	564	-	564
Administration and general	-	43	43
Other	6,454	-	6,454
Salaries and wages	31,649	10,391	42,040
Employee pensions and benefits	4,700	-	4,700
Purchased power	3,784	-	3,784
Material and supplies	5,806	38,584	44,390
Contractual services	10,330	2,410,466	2,420,796
Transportation disbursements	1,159	-	1,159
Insurance disbursements	3,300	-	3,300
Miscellaneous disbursements	<u>475</u>	<u>-</u>	<u>475</u>
 Total operating disbursements	 <u>68,221</u>	 <u>2,459,484</u>	 <u>2,527,705</u>
 Excess (deficiency) of operating receipts over operating disbursements	 <u>25,271</u>	 <u>(2,428,479)</u>	 <u>(2,403,208)</u>
Nonoperating receipts (disbursements):			
Bond proceeds	-	1,603,000	1,603,000
Interest and investment receipts	50	-	50
Miscellaneous receipts	-	100	100
Debt service of principal	(17,912)	-	(17,912)
Interest and investment disbursement	<u>(7,445)</u>	<u>(2,049)</u>	<u>(9,494)</u>
 Total nonoperating receipts (disbursements)	 <u>(25,307)</u>	 <u>1,601,051</u>	 <u>1,575,744</u>
 Deficiency of receipts over disbursements and nonoperating receipts (disbursements)	 (36)	 (827,428)	 (827,464)
Capital contributions	<u>-</u>	<u>870,300</u>	<u>870,300</u>
 Excess (deficiency) of receipts and contributions over disbursements	 (36)	 42,872	 42,836
Cash and investment fund balance - beginning	<u>5,778</u>	<u>-</u>	<u>5,778</u>
Cash and investment fund balance - ending	<u>\$ 5,742</u>	<u>\$ 42,872</u>	<u>\$ 48,614</u>
 <u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 1,732	\$ 31,055	\$ 32,787
Restricted assets:			
Cash and investments	<u>4,010</u>	<u>11,817</u>	<u>15,827</u>
Total cash and investment assets - December 31	<u>\$ 5,742</u>	<u>\$ 42,872</u>	<u>\$ 48,614</u>
 <u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Construction	\$ -	\$ 11,817	\$ 11,817
Other purposes	4,010	-	4,010
Unrestricted	<u>1,732</u>	<u>31,055</u>	<u>32,787</u>
Total cash and investment fund balance - December 31	<u>\$ 5,742</u>	<u>\$ 42,872</u>	<u>\$ 48,614</u>

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

TOWN OF SANDBORN  
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
FIDUCIARY FUND  
For The Year Ended December 31, 2007

	Agency Fund
Additions:	
Agency fund additions	\$ 82,134
Deductions:	
Agency fund deductions	81,748
Excess of total additions over total deductions	386
Cash and investment fund balance - beginning	2,157
Cash and investment fund balance - ending	\$ 2,543

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

TOWN OF SANDBORN  
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 (fire), highways and streets, culture and recreation, general administrative services, water, wastewater, and urban redevelopment and housing.

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

Primary Government: Town of Sandborn

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Activities and Net Assets – Cash and Investment Basis displays information about the reporting government as a whole. It includes all funds of the reporting entity except for fiduciary funds. The statement distinguishes between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, receipts, and disbursements. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Town reports the following major governmental funds:

The general fund is the primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The motor vehicle highway fund accounts for the construction and maintenance of streets and alleys.

The local road and street fund accounts for monies used exclusively by the Town for: (1) engineering, land acquisition, construction, resurfacing, maintenance, restoration, or rehabilitation of both local and arterial road and street systems; (2) the payment of principal and interest on bonds sold primarily to finance road, street and thoroughfare projects; (3) any local

TOWN OF SANDBORN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

costs required to undertake a recreational or reservoir project under Indiana Code 8-23-5; or (4) the purchase, rental, or repair of highway equipment.

The park and recreation fund accounts for the maintenance and activities of the Town's park.

The county economic development income tax fund (CEDIT) accounts for the Town's share of tax monies collected by the county for payment of economic development projects throughout the Town.

The Town reports the following major proprietary funds:

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

The wastewater utility fund accounts for the operation of the wastewater treatment plant, pumping stations, and collection systems.

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for payroll.

C. Measurement Focus and Basis of Accounting

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

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

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Enterprise funds distinguish operating receipts and disbursements from nonoperating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating receipts of the enterprise funds are charges to customers for sales and services.

TOWN OF SANDBORN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Operating disbursements for enterprise funds include the cost of sales and services and administrative costs. All receipts and disbursements not meeting this definition are reported as nonoperating receipts and disbursements. Internal service funds are used to account for activities provided to other departments or agencies primarily with the government. The Town does not have any internal service funds.

D. Assets and Cash and Investment Balances

1. Cash and Investments

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

2. Capital Assets

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

3. Long-Term Debt

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

4. Equity Classification

Government-Wide Statements

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

a. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

b. Unrestricted net assets – All other net assets that do not meet the definition of "restricted."

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

Fund Financial Statements

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

TOWN OF SANDBORN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

E. Receipts and Disbursements

1. Program Receipts

Amounts reported as program receipts include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general receipts rather than as program receipts. Likewise, general receipts include all taxes.

2. Operating Receipts and Disbursements

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

F. Internal and Interfund Balances and Activities

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

Fund Financial Statements

Interfund transfers – Flow of assets from one fund to another where repayment is not expected is reported as transfers in and out.

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets are adopted on the cash basis, which is not consistent with accounting principles generally accepted in the United States of America. All annual appropriations lapse at calendar year end.

TOWN OF SANDBORN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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, 2006 and 2007, were as follows:

<u>Transfer From</u>	<u>Transfer To</u>	<u>2006</u>	<u>2007</u>
General Fund	Other governmental funds	\$ 1,000	\$ -
County Economic Development Income Tax Fund	Other governmental funds	-	10,500
Other governmental funds	Other governmental funds	<u>-</u>	<u>10,000</u>
Totals		<u>\$ 1,000</u>	<u>\$ 20,500</u>

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

TOWN OF SANDBORN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

Job Related Illnesses or Injuries to Employees

During 1997, the Town joined together with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program. This risk pool was formed in 1989. The purpose of the risk pool is to provide a medium for the funding and administration of worker's compensation. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Subsequent Events

As of December 31, 2007, construction of the Wastewater treatment facility was almost complete. In 2008, the Town will begin repayment of a \$1,603,000 loan from Rural Development. A \$500,000 STAG grant was also approved for receipt in early 2008. Wastewater billings started in February 2008.

C. Rate Structure – Enterprise Funds

Water Utility

On December 2, 1987, the Town Council adopted Ordinance No. 5-1987 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on June 15, 2004.

Wastewater Utility

The current rate structure was approved by the Town Council on March 1, 2007.

TOWN OF SANDBORN  
 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

	Park Nonreverting	Community Building Expense	Rainy Day	Cumulative Capital Improvement	Citizens Patrol	Totals
Receipts:						
Intergovernmental	\$ 1,343	\$ 1,917	\$ -	\$ 1,611	\$ -	\$ 4,871
Charges for services	-	5,605	-	-	-	5,605
Other	45	-	-	-	-	45
Total receipts	<u>1,388</u>	<u>7,522</u>	<u>-</u>	<u>1,611</u>	<u>-</u>	<u>10,521</u>
Disbursements:						
Culture and recreation	4,904	7,577	-	-	-	12,481
Excess (deficiency) of revenue over disbursements	(3,516)	(55)	-	1,611	-	(1,960)
Other financing sources:						
Transfers in	-	1,000	-	-	-	1,000
Excess (deficiency) of receipts and other financing sources over disbursements	(3,516)	945	-	1,611	-	(960)
Cash and investment fund balance - beginning	<u>6,815</u>	<u>888</u>	<u>2,642</u>	<u>3,230</u>	<u>787</u>	<u>14,362</u>
Cash and investment fund balance - ending	<u>\$ 3,299</u>	<u>\$ 1,833</u>	<u>\$ 2,642</u>	<u>\$ 4,841</u>	<u>\$ 787</u>	<u>\$ 13,402</u>
<u>Cash and Investment Assets - December 31</u>						
Restricted assets:						
Cash and investments	<u>\$ 3,299</u>	<u>\$ 1,833</u>	<u>\$ 2,642</u>	<u>\$ 4,841</u>	<u>\$ 787</u>	<u>\$ 13,402</u>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
Culture and recreation	\$ 3,299	\$ 1,833	\$ -	\$ -	\$ -	\$ 5,132
Other purposes	-	-	2,642	4,841	787	8,270
Total cash and investment fund balance - December 31	<u>\$ 3,299</u>	<u>\$ 1,833</u>	<u>\$ 2,642</u>	<u>\$ 4,841</u>	<u>\$ 787</u>	<u>\$ 13,402</u>

TOWN OF SANDBORN  
 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, 2007

	Park Nonreverting	Community Building Expense	Rainy Day	Cumulative Capital Improvement	Citizens Patrol	Housing Grant	Children's Art Grant	Sewer Grant	Totals
<b>Receipts:</b>									
Intergovernmental	\$ 2,502	\$ -	\$ 8,496	\$ 1,584	\$ -	\$ 142,882	\$ 1,515	\$ 21,244	\$ 178,223
Charges for services	-	4,630	-	-	-	-	-	-	4,630
Other	1,050	-	-	-	-	-	-	-	1,050
<b>Total receipts</b>	<b>3,552</b>	<b>4,630</b>	<b>8,496</b>	<b>1,584</b>	<b>-</b>	<b>142,882</b>	<b>1,515</b>	<b>21,244</b>	<b>183,903</b>
<b>Disbursements:</b>									
General government	-	-	-	4,368	-	-	-	38,373	42,741
Culture and recreation	2,762	5,840	-	-	-	-	914	-	9,516
Urban redevelopment and housing	-	-	-	-	-	142,882	-	-	142,882
<b>Total disbursements</b>	<b>2,762</b>	<b>5,840</b>	<b>-</b>	<b>4,368</b>	<b>-</b>	<b>142,882</b>	<b>914</b>	<b>38,373</b>	<b>195,139</b>
Excess (deficiency) of revenue over disbursements	790	(1,210)	8,496	(2,784)	-	-	601	(17,129)	(11,236)
<b>Other financing sources (uses)</b>									
Transfers in	-	-	-	-	-	-	-	20,500	20,500
Transfers out	-	-	(10,000)	-	-	-	-	-	(10,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(10,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,500</b>	<b>10,500</b>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	790	(1,210)	(1,504)	(2,784)	-	-	601	3,371	(736)
Cash and investment fund balance - beginning	3,299	1,833	2,642	4,841	787	-	-	-	13,402
Cash and investment fund balance - ending	<u>\$ 4,089</u>	<u>\$ 623</u>	<u>\$ 1,138</u>	<u>\$ 2,057</u>	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ 601</u>	<u>\$ 3,371</u>	<u>\$ 12,666</u>
<b><u>Cash and Investment Assets - December 31</u></b>									
<b>Restricted assets:</b>									
Cash and investments	<u>\$ 4,089</u>	<u>\$ 623</u>	<u>\$ 1,138</u>	<u>\$ 2,057</u>	<u>\$ 787</u>	<u>\$ -</u>	<u>\$ 601</u>	<u>\$ 3,371</u>	<u>\$ 12,666</u>
<b><u>Cash and Investment Fund Balance - December 31</u></b>									
<b>Restricted for:</b>									
Culture and recreation	\$ 4,089	\$ 623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,712
Other purposes	-	-	1,138	2,057	787	-	601	3,371	7,954
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 4,089</u></b>	<b><u>\$ 623</u></b>	<b><u>\$ 1,138</u></b>	<b><u>\$ 2,057</u></b>	<b><u>\$ 787</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 601</u></b>	<b><u>\$ 3,371</u></b>	<b><u>\$ 12,666</u></b>

TOWN OF SANDBORN  
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 8,850
Buildings	389,183
Improvements other than buildings	46,359
Machinery and equipment	<u>69,364</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>513,756</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 44,320
Buildings	34,360
Improvements other than buildings	890,442
Transportation equipment	27,990
Machinery and equipment	<u>13,217</u>
 Total Water Utility capital assets	 \$ <u>1,010,329</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 9,329
Construction in progress	<u>2,461,533</u>
 Total Wastewater Utility capital assets	 <u>2,470,862</u>

*Randa J. Hancock, Clerk/Treasurer*

TOWN OF SANDBORN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2007

The Town has entered into the following debt:

<u>Description of Debt</u>	<u>Ending Principal Balance</u>	<u>Principal and Interest Due Within One Year</u>
<b>Business-type Activities:</b>		
Water Utility		
Loans:		
2001 Construction Loan	\$ 72,691	\$ 20,557
2005 Property Loan	<u>31,907</u>	<u>4,800</u>
<b>Total Water Utility</b>	<u>104,598</u>	<u>25,357</u>
Wastewater Utility		
Revenue bonds:		
2007 Rural Development	<u>1,603,000</u>	<u>84,124</u>
<b>Total business-type activities debt:</b>	<u>\$ 1,707,598</u>	<u>\$ 109,481</u>

*Linda J. Hancock, Clerk Treasurer*

TOWN OF SANDBORN  
AUDIT RESULTS AND COMMENTS

PRESCRIBED FORMS

As stated in a prior report, the following prescribed or approved form was not always in use: City and Town Form 211, Capital Assets Ledger.

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)

CUSTOMER DEPOSIT REGISTER

As stated in a prior report, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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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](http://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 SANDBORN, KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Sandborn (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, 2006 and 2007. The Town's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied in all material respects with the requirements referred to above that are applicable to each of its major federal programs for the years ended December 31, 2006 and 2007.

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

March 27, 2008

TOWN OF SANDBORN  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For The Year Ended December 31, 2007

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct grant			
Water and Waste Disposal Systems for Rural Communities	10.760	FY 07	\$ <u>1,961,497</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Office of Community and Rural Affairs			
Community Development Block Grants/State's Program	14.228	CF-005-130	500,000
Pass-Through Indiana Housing and Community Development Authority			
Community Development Block Grants/State's Program	14.228	HD-006-021	<u>114,581</u>
Total for federal grantor agency			<u>614,581</u>
Total federal awards expended			<u>\$ 2,576,078</u>

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

TOWN OF SANDBORN  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

I. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Sandborn (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.

II. Loan Outstanding

The Town had the following loan balance, with continuing federal compliance requirements, outstanding at December 31, 2007. The loan balance outstanding is also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2007
Water and Waste Disposal Systems for Rural Communities	10.760	<u>\$ 1,603,000</u>

TOWN OF SANDBORN  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:  
 Material weaknesses identified? no  
 Reportable conditions identified that are not considered to be material weaknesses? none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.760	Water and Waste Disposal Systems for Rural Communities
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.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SANDBORN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SANDBORN  
EXIT CONFERENCE

The contents of this report were discussed on March 27, 2008, with Donald R. Hill, President of the Town Council; and Linda J. Hancock, Clerk-Treasurer. The officials concurred with our audit findings.