

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

AUDIT REPORT

OF

TOWN OF SHELburn

SULLIVAN 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	Noah Jay Southwood	01-01-04 to 12-31-11
President of the Town Council	James A. Ward Ken Miller James A. Ward	01-01-06 to 08-13-07 08-14-07 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	Rodney Clouse	01-01-06 to 12-31-08
Superintendent of Wastewater Utility	Gary Steele	01-01-06 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 SHELBURN, SULLIVAN COUNTY, INDIANA

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shelburn (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, and each major fund 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 31, 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.

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 Schedule of Funding Progress, as listed in the Table of Contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

March 31, 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 SHELburn, SULLIVAN COUNTY, INDIANA

We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Shelburn (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 31, 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

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.

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 31, 2008

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

Functions/Programs	Program Receipts			Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals
<b>Primary government:</b>						
<b>Governmental activities:</b>						
General government	\$ 194,781	\$ 1,677	\$ -	\$ (193,104)	\$ -	\$ (193,104)
Public safety	-	160	-	160	-	160
Highways and streets	59,586	-	5,156	(54,430)	-	(54,430)
Economic development	6,405	-	-	(6,405)	-	(6,405)
Culture and recreation	14,234	9,850	-	(4,384)	-	(4,384)
<b>Total governmental activities</b>	<b>275,006</b>	<b>11,687</b>	<b>5,156</b>	<b>(258,163)</b>	<b>-</b>	<b>(258,163)</b>
<b>Business-type activities:</b>						
Water	571,603	556,360	-	-	(15,243)	(15,243)
Wastewater	268,170	260,364	-	-	(7,806)	(7,806)
Storm water	3,023	3,023	-	-	-	-
<b>Total business-type activities</b>	<b>842,796</b>	<b>819,747</b>	<b>-</b>	<b>-</b>	<b>(23,049)</b>	<b>(23,049)</b>
<b>Total primary government</b>	<b>\$ 1,117,802</b>	<b>\$ 831,434</b>	<b>\$ 5,156</b>	<b>(258,163)</b>	<b>(23,049)</b>	<b>(281,212)</b>
<b>General receipts:</b>						
Property taxes				77,817	-	77,817
Intergovernmental				89,801	-	89,801
Other local sources				84,199	-	84,199
Investment earnings				190	6,675	6,865
Miscellaneous				-	7,629	7,629
<b>Total general receipts</b>				<b>252,007</b>	<b>14,304</b>	<b>266,311</b>
<b>Change in net assets</b>				<b>(6,156)</b>	<b>(8,745)</b>	<b>(14,901)</b>
<b>Net assets - beginning</b>				<b>31,076</b>	<b>339,607</b>	<b>370,683</b>
<b>Net assets - ending</b>				<b>\$ 24,920</b>	<b>\$ 330,862</b>	<b>\$ 355,782</b>
<b>Assets</b>						
Cash and investments				\$ 13,378	\$ 44,063	\$ 57,441
<b>Restricted assets:</b>						
Cash and investments				11,542	286,799	298,341
<b>Total assets</b>				<b>\$ 24,920</b>	<b>\$ 330,862</b>	<b>\$ 355,782</b>
<b>Net Assets</b>						
<b>Restricted for:</b>						
General government				\$ 10	\$ -	\$ 10
Highways and streets				9,506	-	9,506
Capital outlay				2,026	-	2,026
Debt service				-	235,318	235,318
Other purposes				-	51,481	51,481
Unrestricted				13,378	44,063	57,441
<b>Total net assets</b>				<b>\$ 24,920</b>	<b>\$ 330,862</b>	<b>\$ 355,782</b>

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

TOWN OF SHELburn  
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	Other Governmental Funds	Totals
<b>Receipts:</b>				
Taxes	\$ 74,775	\$ -	\$ 3,042	\$ 77,817
Intergovernmental	22,470	46,151	26,336	94,957
Charges for services	1,669	-	160	1,829
Other	82,477	-	11,770	94,247
<b>Total receipts</b>	<b>181,391</b>	<b>46,151</b>	<b>41,308</b>	<b>268,850</b>
<b>Disbursements:</b>				
General government	183,070	-	11,711	194,781
Highways and streets	-	43,370	12,881	56,251
Economic development	-	-	5,579	5,579
Culture and recreation	-	-	12,355	12,355
Capital outlay:				
Highways and streets	-	3,335	-	3,335
Economic development	-	-	826	826
Culture and recreation	1,879	-	-	1,879
<b>Total disbursements</b>	<b>184,949</b>	<b>46,705</b>	<b>43,352</b>	<b>275,006</b>
Deficiency of receipts over disbursements	(3,558)	(554)	(2,044)	(6,156)
Deficiency of receipts and other financing sources over disbursements and other financing uses	(3,558)	(554)	(2,044)	(6,156)
Cash and investment fund balance - beginning	13,706	5,880	11,490	31,076
Cash and investment fund balance - ending	<u>\$ 10,148</u>	<u>\$ 5,326</u>	<u>\$ 9,446</u>	<u>\$ 24,920</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 10,148	\$ -	\$ 3,230	\$ 13,378
Restricted assets:				
Cash and investments	-	5,326	6,216	11,542
<b>Total cash and investment assets - December 31</b>	<b>\$ 10,148</b>	<b>\$ 5,326</b>	<b>\$ 9,446</b>	<b>\$ 24,920</b>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
General government	\$ -	\$ -	\$ 10	\$ 10
Highways and streets	-	5,326	4,180	9,506
Capital outlay	-	-	2,026	2,026
Unrestricted	10,148	-	3,230	13,378
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 10,148</b>	<b>\$ 5,326</b>	<b>\$ 9,446</b>	<b>\$ 24,920</b>

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

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

	Water Utility	Wastewater Utility	Storm Water Utility	Totals
Operating receipts:				
Residential	\$ 527,855	\$ 260,364	\$ -	\$ 788,219
Miscellaneous	<u>30,939</u>	<u>-</u>	<u>3,023</u>	<u>33,962</u>
Total operating receipts	<u>558,794</u>	<u>260,364</u>	<u>3,023</u>	<u>822,181</u>
Operating disbursements:				
Salaries and wages	100,658	76,252	-	176,910
Employee pensions and benefits	26,458	22,901	-	49,359
Purchased power	25,018	30,254	-	55,272
Chemicals	-	6,325	-	6,325
Material and supplies	43,331	10,560	-	53,891
Contractual services	28,274	22,632	-	50,906
Transportation disbursements	12,276	4,705	-	16,981
Insurance claims and expense	8,640	8,640	-	17,280
Miscellaneous disbursements	<u>163,007</u>	<u>64,713</u>	<u>3,023</u>	<u>230,743</u>
Total operating disbursements	<u>407,662</u>	<u>246,982</u>	<u>3,023</u>	<u>657,667</u>
Excess of operating receipts over operating disbursements	<u>151,132</u>	<u>13,382</u>	<u>-</u>	<u>164,514</u>
Nonoperating receipts (disbursements):				
Interest on investments	4,826	1,849	-	6,675
Principal payment	(109,000)	-	-	(109,000)
Interest disbursements	(61,591)	(16,972)	-	(78,563)
Miscellaneous	<u>7,629</u>	<u>-</u>	<u>-</u>	<u>7,629</u>
Total nonoperating disbursements	<u>(158,136)</u>	<u>(15,123)</u>	<u>-</u>	<u>(173,259)</u>
Deficiency of receipts over disbursements and nonoperating disbursements	(7,004)	(1,741)	-	(8,745)
Cash and investment fund balance - beginning	<u>270,281</u>	<u>69,326</u>	<u>-</u>	<u>339,607</u>
Cash and investment fund balance - ending	<u>\$ 263,277</u>	<u>\$ 67,585</u>	<u>\$ -</u>	<u>\$ 330,862</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 26,513	\$ 17,550	\$ -	\$ 44,063
Restricted assets:				
Cash and investments	<u>236,764</u>	<u>50,035</u>	<u>-</u>	<u>286,799</u>
Total cash and investment assets - December 31	<u>\$ 263,277</u>	<u>\$ 67,585</u>	<u>\$ -</u>	<u>\$ 330,862</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ 185,283	\$ 50,035	\$ -	\$ 235,318
Other purposes	51,481	-	-	51,481
Unrestricted	<u>26,513</u>	<u>17,550</u>	<u>-</u>	<u>44,063</u>
Total cash and investment fund balance - December 31	<u>\$ 263,277</u>	<u>\$ 67,585</u>	<u>\$ -</u>	<u>\$ 330,862</u>

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

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

	Agency Funds
Additions:	
Agency fund additions	\$ 234,092
Deductions:	
Agency fund deductions	233,816
Excess of total additions over total deductions	276
Cash and investment fund balance - beginning	7,244
Cash and investment fund balance - ending	\$ 7,520

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

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

Functions/Programs	Program Receipts				Net (Disbursement) Receipt and Changes in Net Assets		
	Disbursements	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Totals
Primary government:							
Governmental activities:							
General government	\$ 16,754	\$ 1,728	\$ -	\$ -	\$ (15,026)	\$ -	\$ (15,026)
Public safety	-	5	-	-	5	-	5
Highways and streets	46,048	-	45,227	5,253	4,432	-	4,432
Economic development	1,445	-	-	-	(1,445)	-	(1,445)
Culture and recreation	198,794	6,480	-	-	(192,314)	-	(192,314)
Principal and interest on indebtedness	16,628	-	-	-	(16,628)	-	(16,628)
Total governmental activities	279,669	8,213	45,227	5,253	(220,976)	-	(220,976)
Business-type activities:							
Water	626,333	572,560	-	-	-	(53,773)	(53,773)
Wastewater	299,703	300,443	-	-	-	740	740
Storm water	1,208,851	46,448	-	-	-	(1,162,403)	(1,162,403)
Total business-type activities	2,134,887	919,451	-	-	-	(1,215,436)	(1,215,436)
Total primary government	\$ 2,414,556	\$ 927,664	\$ 45,227	\$ 5,253	(220,976)	(1,215,436)	(1,436,412)
General receipts:							
Property taxes					73,038	-	73,038
Intergovernmental					34,239	-	34,239
Other local sources					99,409	-	99,409
2007 bond proceeds					-	734,200	734,200
Grants and contributions not restricted to specific programs					1,603	-	1,603
Investment earnings					224	39,442	39,666
Federal grant proceeds					-	463,752	463,752
Miscellaneous					-	7,892	7,892
Total general receipts					208,513	1,245,286	1,453,799
Change in net assets					(12,463)	29,850	17,387
Net assets - beginning					24,920	330,862	355,782
Net assets - ending					\$ 12,457	\$ 360,712	\$ 373,169
<b>Assets</b>							
Cash and investments					\$ 11,020	\$ 266,819	\$ 277,839
Restricted assets:							
Cash and investments					1,437	93,893	95,330
Total assets					\$ 12,457	\$ 360,712	\$ 373,169
<b>Net Assets</b>							
Restricted for:							
Highways and streets					\$ 1,235	\$ -	\$ 1,235
Capital outlay					202	-	202
Debt service					-	29,803	29,803
Other purposes					-	59,080	59,080
Unrestricted					11,020	271,829	282,849
Total net assets					\$ 12,457	\$ 360,712	\$ 373,169

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

TOWN OF SHELburn  
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	Other Governmental Funds	Totals
Receipts:				
Taxes	\$ 70,172	\$ -	\$ 2,866	\$ 73,038
Intergovernmental	14,436	49,006	22,777	86,219
Charges for services	1,728	-	5	1,733
Other	98,606	-	7,398	106,004
	<u>184,942</u>	<u>49,006</u>	<u>33,046</u>	<u>266,994</u>
Total receipts				
Disbursements:				
General government	-	-	16,753	16,753
Highways and streets	-	44,162	1,675	45,837
Economic development	-	-	1,445	1,445
Culture and recreation	192,459	-	1,142	193,601
Debt service:				
Principal	-	-	12,754	12,754
Interest	-	2,841	1,033	3,874
Capital outlay:				
Culture and recreation	5,193	-	-	5,193
	<u>197,652</u>	<u>47,003</u>	<u>34,802</u>	<u>279,457</u>
Total disbursements				
Excess (deficiency) of receipts over disbursements	<u>(12,710)</u>	<u>2,003</u>	<u>(1,756)</u>	<u>(12,463)</u>
Other financing sources (uses):				
Transfers in	3,454	-	-	3,454
Transfers out	-	-	(3,454)	(3,454)
	<u>3,454</u>	<u>-</u>	<u>(3,454)</u>	<u>-</u>
Total other financing sources (uses)				
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(9,256)	2,003	(5,210)	(12,463)
Cash and investment fund balance - beginning	<u>10,148</u>	<u>5,326</u>	<u>9,446</u>	<u>24,920</u>
Cash and investment fund balance - ending	<u>\$ 892</u>	<u>\$ 7,329</u>	<u>\$ 4,236</u>	<u>\$ 12,457</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 892	\$ 7,329	\$ 2,799	\$ 11,020
Restricted assets:				
Cash and investments	-	-	1,437	1,437
Total cash and investment assets - December 31	<u>\$ 892</u>	<u>\$ 7,329</u>	<u>\$ 4,236</u>	<u>\$ 12,457</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Highways and streets	\$ -	\$ -	\$ 1,235	\$ 1,235
Capital outlay	-	-	202	202
Unrestricted	892	7,329	2,799	11,020
Total cash and investment fund balance - December 31	<u>\$ 892</u>	<u>\$ 7,329</u>	<u>\$ 4,236</u>	<u>\$ 12,457</u>

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

TOWN OF SHELburn  
STATEMENT OF ASSETS AND FUND BALANCES AND  
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS  
PROPRIETARY FUNDS  
As of and for the Year Ended December 31, 2007

	Water Utility	Wastewater Utility	Storm Water Utility	Totals
Operating receipts:				
Residential	\$ 529,815	\$ 252,225	\$ 46,448	\$ 828,488
Miscellaneous	42,745	48,219	-	90,964
	<u>572,560</u>	<u>300,444</u>	<u>46,448</u>	<u>919,452</u>
Total operating receipts				
Operating disbursements:				
Salaries and wages	104,267	81,800	-	186,067
Employee pensions and benefits	29,785	25,851	-	55,636
Purchased power	27,158	28,438	-	55,596
Chemicals	645	3,920	-	4,565
Material and supplies	72,659	14,339	901	87,899
Contractual services	83,658	38,621	1,198,244	1,320,523
Transportation disbursements	13,390	3,904	-	17,294
Insurance claims and expense	8,723	8,723	-	17,446
Miscellaneous disbursements	67,147	14,594	7,182	88,923
	<u>407,432</u>	<u>220,190</u>	<u>1,206,327</u>	<u>1,833,949</u>
Total operating disbursements				
Excess (deficiency) of operating receipts over operating disbursements	<u>165,128</u>	<u>80,254</u>	<u>(1,159,879)</u>	<u>(914,497)</u>
Nonoperating receipts (disbursements):				
Interest on investments	9,747	295	-	10,042
Federal grant proceeds	-	-	463,752	463,752
Bond proceeds	-	-	734,200	734,200
Debt service of principal	(162,766)	(58,660)	-	(221,426)
Interest disbursement	(56,136)	(20,853)	(2,525)	(79,514)
Miscellaneous	37,104	-	189	37,293
	<u>(172,051)</u>	<u>(79,218)</u>	<u>1,195,616</u>	<u>944,347</u>
Total nonoperating receipts (disbursements)				
Excess (deficiency) of receipts over disbursements and nonoperating receipts (disbursements)	(6,923)	1,036	35,737	29,850
Cash and investment fund balance - beginning	<u>263,277</u>	<u>67,585</u>	<u>-</u>	<u>330,862</u>
Cash and investment fund balance - ending	<u>\$ 256,354</u>	<u>\$ 68,621</u>	<u>\$ 35,737</u>	<u>\$ 360,712</u>
<u>Cash and Investment Assets - December 31</u>				
Cash and investments	\$ 201,925	\$ 68,621	\$ 1,283	\$ 271,829
Cash with fiscal agent	-	-	-	-
Restricted assets:				
Cash and investments	<u>54,429</u>	<u>-</u>	<u>34,454</u>	<u>88,883</u>
Total cash and investment assets - December 31	<u>\$ 256,354</u>	<u>\$ 68,621</u>	<u>\$ 35,737</u>	<u>\$ 360,712</u>
<u>Cash and Investment Fund Balance - December 31</u>				
Restricted for:				
Debt service	\$ -	\$ -	\$ 29,803	\$ 29,803
Other purposes	54,429	-	4,651	59,080
Unrestricted	<u>201,925</u>	<u>68,621</u>	<u>1,283</u>	<u>271,829</u>
Total cash and investment fund balance - December 31	<u>\$ 256,354</u>	<u>\$ 68,621</u>	<u>\$ 35,737</u>	<u>\$ 360,712</u>

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

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

	<u>Agency Funds</u>
Additions:	
Total additions	\$ <u>241,541</u>
Deductions:	
Total deductions	<u>240,373</u>
Excess of total additions over total deductions	<u>1,168</u>
Cash and investment fund balance - beginning	<u>7,520</u>
Cash and investment fund balance - ending	<u><u>\$ 8,688</u></u>

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

TOWN OF SHELburn  
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, culture and recreation, general administrative services, water, wastewater, and storm water.

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

Primary Government: Town of Shelburn

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 is used for the construction, reconstruction, repair, maintenance, snow removal, tree cutting, and cleaning of highways.

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.

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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

Additionally, the Town reports the following fund types:

Agency funds account for assets held by the Town as an agent for payroll, levy excess general and levy excess cumulative capital development.

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. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the Town's Water, Wastewater and Storm Water Utilities. Elimination of these charges would distort the direct costs and program receipts reported for the various functions concerned.

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. 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.

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

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.

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

2. Operating Receipts and Disbursements

Operating receipts and disbursements for proprietary funds and the similar discretely presented component unit 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

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

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

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 and Investments

1. 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. Balances were insured by the Federal Deposit Insurance Corporation or the Public Deposit Insurance Fund, which covers all public funds held in approved depositories.

2. Investments

Authorization for investment activity is stated in Indiana Code 5-13. As of December 31, 2007, the Town had the following investments:

Investment Policies

Indiana Code 5-13-9 authorizes the Town to invest in securities backed by the full faith and credit of the United States Treasury or fully guaranteed by the United States of America and issued by the United States Treasury, a federal agency, a federal instrumentality, or a federal government sponsored enterprise. Indiana Code also authorizes the Town to invest in securities fully guaranteed and issued by a federal agency, a federal instrumentality or a federal government sponsored enterprise. These investments are required by statute to have a stated final maturity of not more than two years.

Indiana Code also provides for investment in money market mutual funds that are in the form of securities of, or interest in, an open-end, no-load, management-type investment company or investment trust registered under the provision of the federal Investment Company Act of 1940, as amended. Investments in money market mutual funds may not exceed 50% of the funds held by the Town and available for investment. The portfolio of an investment company or investment trust used must be limited to direct obligations of the United States of America, obligations issued by a federal agency, a federal instrumentality, or a federal government sponsored enterprise or repurchase agreements fully collateralized by direct obligations of the United States of America or obligations issued by a federal agency, a federal

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

instrumentality, or a federal government sponsored enterprise. The form of securities of, or interest in, an investment company or investment trust must be rated as AAA, or its equivalent by Standard and Poor's Corporation or its successor or Aaa, or its equivalent, by Moody's Investors Service, Inc., or its successor. The form of securities in an investment company or investment trust should have a stated final maturity of one day.

Investment Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The Town does not have a formal investment policy for custodial credit risk for investments. At December 31, 2007, the Town held investments in Certificates of Deposit in the amount of \$235,318.

B. Interfund Transfers

Interfund transfers for the years ended December 31, 2006 and 2007, were as follows:

Transfer From	Transfer To	2007
General Fund	Other governmental funds	\$ 3,454

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

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. Risk financing is not utilized for the other risks of loss.

B. Rate Structure – Enterprise Funds

Water Utility

On December 9, 1987, the Town Council adopted Ordinance No. 1987-1 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on July 29, 2002.

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Wastewater Utility

The current rate structure was approved by the Town Council on July 29, 2002.

Storm Water Utility

The current rate structure was approved by the Town Council on December 11, 2006.

C. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF. The Town's annual pension cost and related information, as provided by the actuary, is presented in this note.

Information to segregate the assets/liabilities and the actuarial study figures between the Town and the Utilities is not available.

TOWN OF SHELburn  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 18,414
Interest on net pension obligation	(414)
Adjustment to annual required contribution	472
Annual pension cost	18,472
Contributions made	14,309
Increase in net pension obligation	4,163
Net pension obligation, beginning of year	(5,714)
Net pension obligation, end of year	\$ (1,551)
Contribution rates:	
Town	3%
Plan members	3%
Actuarial valuation date	07-01-06
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	40 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

Actuarial Assumptions

Investment rate of return	9.25%
Projected future salary increases:	
Total	5%
Attributed to inflation	4%
Attributed to merit/seniority	1%
Cost-of-living adjustments	2%*

\* 2.75% converted members; 4% nonconverted members

TOWN OF SHELBURN  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Three Year Trend Information

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
PERF	06-30-05	\$ 13,363	105%	\$ (6,584)
	06-30-06	15,049	94%	(5,714)
	06-30-07	18,472	77%	(1,551)

TOWN OF SHELburn  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 99,298	\$ 169,302	\$ (70,004)	59%	\$ 200,149	(35%)
07-01-06	110,590	217,022	(106,432)	51%	206,619	(52%)
07-01-07	147,976	187,712	(39,736)	79%	201,585	(20%)

TOWN OF SHELburn  
 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

	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Parks and Recreation	Accident Report	Firearms Training
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	13,112	-	7,979	-	-	-
Charges for services	-	-	-	-	20	140
Other	-	-	-	1,920	-	-
<b>Total receipts</b>	<b>13,112</b>	<b>-</b>	<b>7,979</b>	<b>1,920</b>	<b>20</b>	<b>140</b>
Disbursements:						
General government	-	-	7,969	-	-	-
Highways and streets	12,881	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	1,724	-	-
Capital outlay:						
Economic development	-	-	-	-	-	-
<b>Total disbursements</b>	<b>12,881</b>	<b>-</b>	<b>7,969</b>	<b>1,724</b>	<b>-</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	231	-	10	196	20	140
Cash and investment fund balance - beginning	3,949	173	-	1,061	71	962
Cash and investment fund balance - ending	<u>\$ 4,180</u>	<u>\$ 173</u>	<u>\$ 10</u>	<u>\$ 1,257</u>	<u>\$ 91</u>	<u>\$ 1,102</u>
<u>Cash and Investment Assets - December 31</u>						
Cash and investments	\$ -	\$ 173	\$ -	\$ 1,257	\$ 91	\$ 1,102
Restricted assets:						
Cash and investments	4,180	-	10	-	-	-
<b>Total cash and investment assets - December 31</b>	<b>\$ 4,180</b>	<b>\$ 173</b>	<b>\$ 10</b>	<b>\$ 1,257</b>	<b>\$ 91</b>	<b>\$ 1,102</b>
<u>Cash and Investment Fund Balance - December 31</u>						
Restricted for:						
General government	\$ -	\$ -	\$ 10	\$ -	\$ -	\$ -
Highways and streets	4,180	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Unrestricted	-	173	-	1,257	91	1,102
<b>Total cash and investment fund balance - December 31</b>	<b>\$ 4,180</b>	<b>\$ 173</b>	<b>\$ 10</b>	<b>\$ 1,257</b>	<b>\$ 91</b>	<b>\$ 1,102</b>

TOWN OF SHELBURN  
 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)

	Community Building Center	Ordinance Violations	Cumulative Capital Improvement	Cumulative Capital Development	Totals
<b>Receipts:</b>					
Taxes	\$ -	\$ -	\$ -	\$ 3,042	\$ 3,042
Intergovernmental	-	-	4,530	715	26,336
Charges for services	-	-	-	-	160
Other	9,850	-	-	-	11,770
<b>Total receipts</b>	<b>9,850</b>	<b>-</b>	<b>4,530</b>	<b>3,757</b>	<b>41,308</b>
<b>Disbursements:</b>					
General government	-	-	-	3,742	11,711
Highways and streets	-	-	-	-	12,881
Economic development	-	-	5,579	-	5,579
Culture and recreation	10,631	-	-	-	12,355
Capital outlay:					
Economic development	-	-	826	-	826
<b>Total disbursements</b>	<b>10,631</b>	<b>-</b>	<b>6,405</b>	<b>3,742</b>	<b>43,352</b>
Excess (deficiency) of receipts over disbursements	(781)	-	(1,875)	15	(2,044)
Cash and investment fund balance - beginning	899	44	2,320	2,011	11,490
Cash and investment fund balance - ending	<u>\$ 118</u>	<u>\$ 44</u>	<u>\$ 445</u>	<u>\$ 2,026</u>	<u>\$ 9,446</u>
<u>Cash and Investment Assets - December 31</u>					
Cash and investments	\$ 118	\$ 44	\$ 445	\$ -	\$ 3,230
Restricted assets:					
Cash and investments	-	-	-	2,026	6,216
<b>Total cash and investment assets - December 31</b>	<b><u>\$ 118</u></b>	<b><u>\$ 44</u></b>	<b><u>\$ 445</u></b>	<b><u>\$ 2,026</u></b>	<b><u>\$ 9,446</u></b>
<u>Cash and Investment Fund Balance - December 31</u>					
Restricted for:					
General government	\$ -	\$ -	\$ -	\$ -	\$ 10
Highways and streets	-	-	-	-	4,180
Capital outlay	-	-	-	2,026	2,026
Unrestricted	118	44	445	-	3,230
<b>Total cash and investment fund balance - December 31</b>	<b><u>\$ 118</u></b>	<b><u>\$ 44</u></b>	<b><u>\$ 445</u></b>	<b><u>\$ 2,026</u></b>	<b><u>\$ 9,446</u></b>

TOWN OF SHELburn  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2006

	Levy Excess General	Levy Excess Cumulative Capital Development	Payroll	Totals
Additions:				
Agency fund additions	\$ 5,189	\$ 211	\$ 228,692	\$ 234,092
Deductions:				
Agency fund deductions	-	-	233,816	233,816
Excess (deficiency) of total additions over total deductions	5,189	211	(5,124)	276
Cash and investment fund balance - beginning	-	-	7,244	7,244
Cash and investment fund balance - ending	\$ 5,189	\$ 211	\$ 2,120	\$ 7,520

TOWN OF SHELburn  
 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

	Local Road and Street	Law Enforcement Continuing Education	Riverboat	Parks and Recreation	Police Equipment Donation	Accident Report
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	9,974	-	7,996	-	-	-
Charges for services	-	-	-	-	-	5
Other	-	-	-	583	525	-
<b>Total receipts</b>	<b>9,974</b>	<b>-</b>	<b>7,996</b>	<b>583</b>	<b>525</b>	<b>5</b>
Disbursements:						
General government	-	-	8,006	-	503	-
Highways and streets	1,675	-	-	-	-	-
Economic development	-	-	-	-	-	-
Culture and recreation	-	-	-	1,142	-	-
Debt service:						
Principal	10,000	-	-	-	-	-
Interest	1,033	-	-	-	-	-
<b>Total disbursements</b>	<b>12,708</b>	<b>-</b>	<b>8,006</b>	<b>1,142</b>	<b>503</b>	<b>-</b>
Excess (deficiency) of receipts over disbursements	(2,734)	-	(10)	(559)	22	5
Other financing uses:						
Transfers out	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(2,734)	-	(10)	(559)	22	5
Cash and investment fund balance - beginning	4,180	173	10	1,257	-	91
Cash and investment fund balance - ending	<u>\$ 1,446</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 698</u>	<u>\$ 22</u>	<u>\$ 96</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 211	\$ -	\$ -	\$ 698	\$ 22	\$ 96
Restricted assets:						
Cash and investments	1,235	173	-	-	-	-
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,446</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 698</u>	<u>\$ 22</u>	<u>\$ 96</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Highways and streets	\$ 1,235	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	211	173	-	698	22	96
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,446</u>	<u>\$ 173</u>	<u>\$ -</u>	<u>\$ 698</u>	<u>\$ 22</u>	<u>\$ 96</u>

TOWN OF SHELburn  
 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  
 (Continued)

	Firearms Training	Community Building Center	Ordinance Violations	Cumulative Capital Improvement	Cumulative Capital Development	Totals
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,866	\$ 2,866
Intergovernmental	-	-	-	4,454	353	22,777
Charges for services	-	-	-	-	-	5
Other	290	6,000	-	-	-	7,398
<b>Total receipts</b>	<b>290</b>	<b>6,000</b>	<b>-</b>	<b>4,454</b>	<b>3,219</b>	<b>33,046</b>
Disbursements:						
General government	205	2,996	-	-	5,043	16,753
Highways and streets	-	-	-	-	-	1,675
Economic development	-	-	-	1,445	-	1,445
Culture and recreation	-	-	-	-	-	1,142
Debt service:						
Principal	-	2,754	-	-	-	12,754
Interest	-	-	-	-	-	1,033
<b>Total disbursements</b>	<b>205</b>	<b>5,750</b>	<b>-</b>	<b>1,445</b>	<b>5,043</b>	<b>34,802</b>
Excess (deficiency) of receipts over disbursements	85	250	-	3,009	(1,824)	(1,756)
Other financing uses:						
Transfers out	-	-	-	(3,454)	-	(3,454)
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	85	250	-	(445)	(1,824)	(5,210)
Cash and investment fund balance - beginning	1,102	118	44	445	2,026	9,446
Cash and investment fund balance - ending	<u>\$ 1,187</u>	<u>\$ 368</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 4,236</u>
<b>Cash and Investment Assets - December 31</b>						
Cash and investments	\$ 1,187	\$ 368	\$ 44	\$ -	\$ -	\$ 2,626
Restricted assets:						
Cash and investments	-	-	-	-	202	1,610
<b>Total cash and investment assets - December 31</b>	<u>\$ 1,187</u>	<u>\$ 368</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 4,236</u>
<b>Cash and Investment Fund Balance - December 31</b>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,235
Capital outlay	-	-	-	-	202	202
Unrestricted	1,187	368	44	-	-	2,799
<b>Total cash and investment fund balance - December 31</b>	<u>\$ 1,187</u>	<u>\$ 368</u>	<u>\$ 44</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ 4,236</u>

TOWN OF SHELburn  
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES  
 AGENCY FUNDS  
 For The Year Ended December 31, 2007

	Levy Excess General	Levy Excess Cumulative Capital Development	Payroll	Totals
Additions:				
Agency fund additions	1,509	61	239,971	241,541
Deductions:				
Agency fund deductions	5,189	211	234,973	240,373
Excess (deficiency) of total additions over total deductions	(3,680)	(150)	4,998	1,168
Cash and investment fund balance - beginning	5,189	211	2,120	7,520
Cash and investment fund balance - ending	\$ 1,509	\$ 61	\$ 7,118	\$ 8,688

TOWN OF SHELburn  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF LONG-TERM DEBT  
For The Year Ended December 31, 2007

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Case 580 Backhoe	\$ 56,069	\$ 8,931
Bonds payable:		
General obligation bonds:		
Construction for additional bays for the Fire Department	19,746	2,209
Community Building addition	<u>41,703</u>	<u>5,509</u>
Total governmental activities debt	<u>\$ 117,518</u>	<u>\$ 16,649</u>
Water Utility		
Capital leases:		
Datamatic AMR System - digital meter reader	\$ 92,819	\$ 14,625
Revenue bonds:		
1994 Water Revenue Bonds - to construct water plant	555,000	129,573
1998 Water Revenue Bonds - purchase water tower	<u>149,300</u>	<u>31,995</u>
Total Water Utility	<u>797,119</u>	<u>176,193</u>
Wastewater Utility		
Revenue bonds:		
1974 Wastewater Revenue Bonds - to construct wastewater plant	148,000	29,450
1999 Wastewater Revenue Bonds - improvements to existing plant	<u>98,000</u>	<u>17,546</u>
Total Wastewater Utility	<u>246,000</u>	<u>46,996</u>
Other Utility:		
Revenue bonds:		
2007 Storm Water Management District Revenue Bond - to construct storm water system	<u>803,000</u>	<u>40,959</u>
Total business-type activities debt	<u>\$ 1,846,119</u>	<u>\$ 264,148</u>

TOWN OF SHELburn  
AUDIT RESULTS AND COMMENTS

DELINQUENT WASTEWATER ACCOUNTS (Wastewater Utility)

As stated in the prior Reports B24770 and B28242, delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states, in part: "(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following: (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following: (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent; (B) a description of the premises, as shown by the records of the county auditor; and (C) the amount of the delinquent fees, together with the penalty; or (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent." (c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ." (e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . ."

CUSTOMER DEPOSIT REGISTER (Water Utility)

As stated in the prior Reports B24770 and B28242, 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)

OFFICIAL BOND (Town and Utilities)

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

Clerk-Treasurer, Noah Jay Southwood  
Town Board member, James Ward  
Town Board member, Ken Miller  
Town Board member, Mark Schroyer  
Town Board member, Allen Mason  
Utility Clerk, Elizabeth Miller  
Utility Clerk, Alice Ann Goodman

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. . . ."

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 SHELburn, SULLIVAN COUNTY, INDIANA

### Compliance

We have audited the compliance of the Town of Shelburn (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)

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

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 31, 2008

TOWN OF SHELburn  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For The Years Ended December 31, 2006 and 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 12-31-06	Total Federal Awards Expended 12-31-07
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Community Facilities Loans and Grants	10.766		\$ -	\$ 734,200
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
Community Development Block Grants/Small Cities Program	14.219	CF-06-102	-	463,752
Total federal awards expended			<u>\$ -</u>	<u>\$ 1,197,952</u>

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

TOWN OF SHELburn  
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 Shelburn (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. Loans Outstanding

The Town had the following loan balances, with continuing federal compliance requirements, outstanding at December 31, 2006 and 2007. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

Program Title	Federal CFDA Number	2006	2007
Community Facilities Loans and Grants	10.766	\$ -	\$ 803,000

TOWN OF SHELBURN  
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
10.766	Community Facilities Loans and Grants

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 SHELBURN  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SHELBURN  
EXIT CONFERENCE

The contents of this report were discussed on March 31, 2008, with Noah Jay Southwood, Clerk-Treasurer; and James A. Ward, President of the Town Council. The officials concurred with our audit findings.