

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

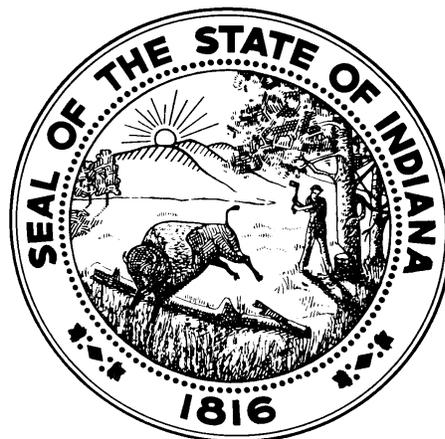
EXAMINATION REPORT

OF

TOWN OF CARBON

CLAY COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
08/22/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane Fields	01-01-04 to 12-31-11
President of the Town Council	Josephine Rightsell	01-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CARBON, CLAY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Carbon (Town), for the period of January 1, 2006 to December 31, 2007. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 15, 2008

TOWN OF CARBON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 7,709	\$ 26,028	\$ 21,722	\$ 12,015
Motor Vehicle Highway	24,073	12,302	6,105	30,270
Local Road and Street	14,134	2,129	46	16,217
Donation	-	10,000	1,385	8,615
Cumulative Capital Improvement	6,284	35,613	24,000	17,897
Cumulative Capital Development	19,077	1,177	36	20,218
Levy Excess	-	337	-	337
Proprietary Funds:				
Water Utility - Operating	131,386	116,871	107,359	140,898
Water Utility - Bond and Interest	17,380	23,640	23,215	17,805
Water Utility - Reserve	18,620	804	1,464	17,960
Water Utility - Customer Deposit	17,955	1,200	640	18,515
Water Utility - Construction	44,845	532	388	44,989
Water Utility - Storm Water Utility	-	100,000	41,402	58,598
Wastewater Utility - Operating	24,380	42,590	37,736	29,234
Wastewater Utility - Bond and Interest	14,010	6,840	6,300	14,550
Wastewater Utility - Depreciation	23,753	2,424	10,886	15,291
Wastewater Utility - Reserve	13,790	840	-	14,630
Wastewater Utility - Operation and Maintenance	4,080	3,000	2,400	4,680
Wastewater Utility - Storm Sewer Utility	10,388	9,109	3,670	15,827
Fiduciary Fund:				
Payroll	(6)	6	-	-
Totals	<u>\$ 391,858</u>	<u>\$ 395,442</u>	<u>\$ 288,754</u>	<u>\$ 498,546</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 12,015	\$ 28,529	\$ 26,381	\$ 14,163
Motor Vehicle Highway	30,270	12,058	7,444	34,884
Local Road and Street	16,217	2,162	1,488	16,891
Park and Recreation	8,615	5,000	4,992	8,623
Cumulative Capital Improvement	17,897	1,173	10,420	8,650
Cumulative Capital Development	20,218	1,141	19	21,340
Levy Excess	337	198	337	198
Proprietary Funds:				
Water Utility - Operating	140,898	149,863	116,976	173,785
Water Utility - Bond and Interest	17,805	23,640	22,622	18,823
Water Utility - Reserve	17,960	804	4,799	13,965
Water Utility - Customer Deposit	18,515	1,100	650	18,965
Water Utility - Construction	44,989	4,213	49,202	0
Water Utility - Storm Water Utility	58,598	-	9,166	49,432
Wastewater Utility - Operating	29,234	41,673	37,969	32,938
Wastewater Utility - Bond and Interest	14,550	6,840	6,200	15,190
Wastewater Utility - Depreciation	15,291	2,424	-	17,715
Wastewater Utility - Reserve	14,630	840	-	15,470
Wastewater Utility - Operation and Maintenance	4,680	3,000	2,625	5,055
Wastewater Utility - Storm Sewer Utility	15,827	11,021	7,273	19,575
Totals	<u>\$ 498,546</u>	<u>\$ 295,679</u>	<u>\$ 308,563</u>	<u>\$ 485,662</u>

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

TOWN OF CARBON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Water Revenue Bonds of 2000	\$ 204,000	\$ 22,028
Wastewater Utility		
Debt Service Revenue Bonds	82,000	6,100
Total business-type activities debt:	<u>\$ 286,000</u>	<u>\$ 28,128</u>

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS (Town)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	<u>\$ 3,536</u>

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

ERRORS ON CLAIMS (Town and Utilities)

The following deficiencies were noted on claims during the examination period:

- (1) All claims did not have board approval.
- (2) Claims or invoices did not reflect evidence in support of the receipt of goods or services.

Indiana Code 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

INTERNAL CONTROL - CAPITAL ASSETS (Town and Utilities)

The Town does not maintain a capital asset register. An inventory of all capital assets owned has not been taken. Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger form. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The customer deposit amount recorded on the general ledger is greater than that shown on the detailed customer deposit register.

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)

TOWN OF CARBON
EXIT CONFERENCE

The contents of this report were discussed on July 15, 2008, with Diane Fields, Clerk-Treasurer. The official concurred with our findings.