

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

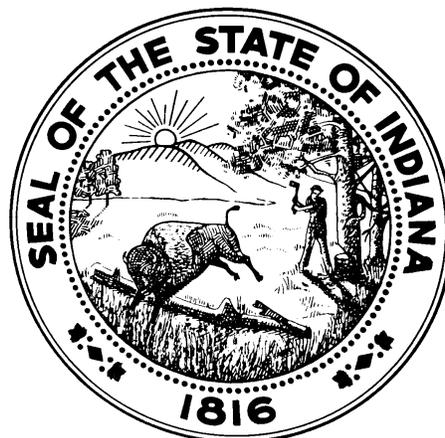
AUDIT REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2007 to December 31, 2008



FILED
08/06/2009

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
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	5-6
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Activities and Net Assets – Cash and Investment Basis	7, 11
Fund Financial Statements:	
Governmental Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Governmental Funds	8, 12
Proprietary Funds:	
Statement of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Proprietary Fund	9, 13
Fiduciary Funds:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Fund	10, 14
Notes to Financial Statements	15-22
Required Supplementary Information:	
Schedule of Funding Progress	23
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	24-31
Schedule of Capital Assets.....	32
Schedule of Long-Term Debt	33
Supplemental Audit of Federal Awards:	
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.....	36-37
Schedule of Expenditures of Federal Awards	38
Note to Schedule of Expenditures of Federal Awards.....	39
Schedule of Findings and Questioned Costs	40
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	41
Exit Conference.....	42

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Simmerman	01-01-04 to 07-03-09
President of the Town Council	Ed Hodge Dean Bruce	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of Wastewater Utility	Shelley Edwards	01-01-07 to 12-31-09



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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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 SPENCER, OWEN 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 Spencer (Town), as of and for the years ended December 31, 2007 and 2008, 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, 2007 and 2008, 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 July 2, 2009, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S.

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

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 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, 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

July 2, 2009



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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 SPENCER, OWEN 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 Spencer (Town), as of and for the years ended December 31, 2007 and 2008, which collectively comprise the Town's basic financial statements and have issued our report thereon dated July 2, 2009. 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

July 2, 2009

TOWN OF SPENCER
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	\$ 415,716	\$ 37,923	\$ -	\$ -	\$ (377,793)	\$ -	\$ (377,793)
Public safety	24,690	11,975	-	-	(12,715)	-	(12,715)
Highways and streets	98,658	-	89,521	12,131	2,994	-	2,994
Economic development	386,358	-	-	-	(386,358)	-	(386,358)
Culture and recreation	1,001,747	-	-	-	(1,001,747)	-	(1,001,747)
Total governmental activities	1,927,169	49,898	89,521	12,131	(1,775,619)	-	(1,775,619)
Business-type activities:							
Wastewater Utility	5,227,348	928,677	-	-	-	(4,298,671)	(4,298,671)
Total business-type activities	5,227,348	928,677	-	-	-	(4,298,671)	(4,298,671)
Total primary government	\$ 7,154,517	\$ 978,575	\$ 89,521	\$ 12,131	(1,775,619)	(4,298,671)	(6,074,290)
General receipts:							
Property taxes					692,406	-	692,406
Intergovernmental					510,129	-	510,129
Other local sources					364,093	3,194	367,287
Net proceeds from borrowings					-	4,695,000	4,695,000
Grants and contributions not restricted to specific programs					323,127	-	323,127
Investment earnings					34,348	69,182	103,530
Total general receipts, special items, and transfers					1,924,103	4,767,376	6,691,479
Change in net assets					148,484	468,705	617,189
Net assets - beginning					1,711,356	688,442	2,399,798
Net assets - ending					\$ 1,859,840	\$ 1,157,147	\$ 3,016,987
<u>Assets</u>							
Cash and investments					\$ 1,647,229	\$ 1,157,147	\$ 2,804,376
Restricted assets:							
Cash and investments					212,611	-	212,611
Total assets					\$ 1,859,840	\$ 1,157,147	\$ 3,016,987
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 9,206	\$ -	\$ 9,206
Capital outlay					203,405	-	203,405
Unrestricted					1,647,229	1,157,147	2,804,376
Total net assets					\$ 1,859,840	\$ 1,157,147	\$ 3,016,987

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

TOWN OF SPENCER
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	OV Fire Territory	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 501,812	\$ 131,908	\$ -	\$ 58,686	\$ 692,406
Licenses and permits	9,700	-	-	790	10,490
Intergovernmental	341,872	16,308	128,370	131,285	617,835
Charges for services	31,944	-	-	6,984	38,928
Fines and forfeits	480	-	-	-	480
Other	72,199	338,370	-	220,538	631,107
Total receipts	958,007	486,586	128,370	418,283	1,991,246
Disbursements:					
General government	-	185,370	-	27,302	212,672
Public safety	-	-	-	24,690	24,690
Highways and streets	-	-	-	98,658	98,658
Culture and recreation	952,688	-	-	1,068	953,756
Capital outlay:					
General government	-	-	-	203,044	203,044
Economic development	-	-	386,358	-	386,358
Culture and recreation	47,991	-	-	-	47,991
Total disbursements	1,000,679	185,370	386,358	354,762	1,927,169
Excess (deficiency) of receipts over disbursements	(42,672)	301,216	(257,988)	63,521	64,077
Other financing sources (uses):					
Transfers in	5,723	-	-	5,193	10,916
Transfers out	(5,181)	-	-	(5,735)	(10,916)
Other receipts	-	84,407	-	-	84,407
Total other financing sources (uses)	542	84,407	-	(542)	84,407
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(42,130)	385,623	(257,988)	62,979	148,484
Cash and investment fund balance - beginning	788,888	-	322,325	600,143	1,711,356
Cash and investment fund balance - ending	<u>\$ 746,758</u>	<u>\$ 385,623</u>	<u>\$ 64,337</u>	<u>\$ 663,122</u>	<u>1,859,840</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 746,758	\$ 385,623	\$ -	\$ 514,848	\$ 1,647,229
Restricted assets:					
Cash and investments	-	-	64,337	148,274	212,611
Total cash and investment assets - ending	<u>\$ 746,758</u>	<u>\$ 385,623</u>	<u>\$ 64,337</u>	<u>\$ 663,122</u>	<u>\$ 1,859,840</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 9,206	\$ 9,206
Capital outlay	-	-	64,337	139,068	203,405
Unrestricted	746,758	385,623	-	514,848	1,647,229
Total cash and investment fund balance - ending	<u>\$ 746,758</u>	<u>\$ 385,623</u>	<u>\$ 64,337</u>	<u>\$ 663,122</u>	<u>\$ 1,859,840</u>

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

TOWN OF SPENCER
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, 2007

	Wastewater Utility
Operating receipts:	
Metered/measured	\$ 923,226
Miscellaneous	5,451
Total operating receipts	928,677
Operating disbursements:	
Administration and general	337,579
Refunds	306
Equipment and capital improvements	4,700,437
Miscellaneous	34,480
Total operating disbursements	5,072,802
Deficiency of operating receipts over operating disbursements	(4,144,125)
Nonoperating receipts (disbursements):	
Investment income	69,182
Net proceeds from borrowings	4,695,000
Refunds	3,194
Debt service of principal	(24,174)
Interest disbursements	(130,372)
Total nonoperating receipts	4,612,830
Excess of receipts over disbursements and nonoperating receipts	468,705
Transfers in	399,115
Transfers out	(399,115)
Excess of receipts, contributions and transfers in over disbursements and transfers out	468,705
Cash and investment fund balance - beginning	688,442
Cash and investment fund balance - ending	\$ 1,157,147
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 1,157,147
Total cash and investment assets - December 31	\$ 1,157,147
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	\$ 1,157,147
Total cash and investment fund balance - December 31	\$ 1,157,147

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

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

	Payroll/Agency Fund
Additions:	
Agency fund additions	\$ 896,704
Deductions:	
Agency fund deductions	901,240
Deficiency of total additions over total deductions	(4,536)
Cash and investment fund balance - beginning	13,112
Cash and investment fund balance - ending	\$ 8,576

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

TOWN OF SPENCER
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2008

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	\$ 280,130	\$ 18,184	\$ -	\$ -	\$ (261,946)	\$ -	\$ (261,946)
Public safety	19,779	16,265	-	-	(3,514)	-	(3,514)
Highways and streets	102,998	19,926	67,079	10,205	(5,788)	-	(5,788)
Economic development	21,864	-	-	-	(21,864)	-	(21,864)
Culture and recreation	968,810	2,200	9,748	-	(956,862)	-	(956,862)
Total governmental activities	<u>1,393,581</u>	<u>56,575</u>	<u>76,827</u>	<u>10,205</u>	<u>(1,249,974)</u>	<u>-</u>	<u>(1,249,974)</u>
Business-type activities:							
Wastewater Utility	1,271,631	1,308,898	-	-	-	37,267	37,267
Total business-type activities	<u>1,271,631</u>	<u>1,308,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,267</u>	<u>37,267</u>
Total primary government	<u>\$ 2,665,212</u>	<u>\$ 1,365,473</u>	<u>\$ 76,827</u>	<u>\$ 10,205</u>	<u>(1,249,974)</u>	<u>37,267</u>	<u>(1,212,707)</u>
General receipts:							
Property taxes					641,580	-	641,580
Intergovernmental					632,914	-	632,914
Other local sources					172,334	-	172,334
Grants and contributions not restricted to specific programs					451	-	451
Investment earnings					10,168	710	10,878
Total general receipts, special items, and transfers					<u>1,457,447</u>	<u>710</u>	<u>1,458,157</u>
Change in net assets					207,473	37,977	245,450
Net assets - beginning					<u>1,859,840</u>	<u>1,157,147</u>	<u>3,016,987</u>
Net assets - ending					<u>\$ 2,067,313</u>	<u>\$ 1,195,124</u>	<u>\$ 3,262,437</u>
<u>Assets</u>							
Cash and investments					\$ 1,747,054	\$ 1,195,124	\$ 2,942,178
Restricted assets:							
Cash and investments					<u>320,259</u>	<u>-</u>	<u>320,259</u>
Total assets					<u>\$ 2,067,313</u>	<u>\$ 1,195,124</u>	<u>\$ 3,262,437</u>
<u>Net Assets</u>							
Restricted for:							
Highways and streets					\$ 2,393	\$ -	\$ 2,393
Capital outlay					317,866	-	317,866
Unrestricted					<u>1,747,054</u>	<u>1,195,124</u>	<u>2,942,178</u>
Total net assets					<u>\$ 2,067,313</u>	<u>\$ 1,195,124</u>	<u>\$ 3,262,437</u>

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

TOWN OF SPENCER
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, 2008

	General	OV Fire Territory	Economic Development Income Tax	Other Governmental Funds	Totals
Receipts:					
Taxes	\$ 417,415	\$ 179,350	\$ -	\$ 46,991	\$ 643,756
Licenses and permits	11,737	-	-	60	11,797
Intergovernmental	377,003	12,401	165,517	165,025	719,946
Charges for services	17,874	-	-	23,782	41,656
Fines and forfeits	299	-	-	2,823	3,122
Other	112,665	10,086	-	49,892	172,643
Total receipts	936,993	201,837	165,517	288,573	1,592,920
Disbursements:					
General government	-	135,074	-	13,342	148,416
Public safety	-	-	-	19,779	19,779
Highways and streets	-	-	-	102,998	102,998
Culture and recreation	913,083	-	-	2,074	915,157
Capital outlay:					
General government	-	-	-	131,714	131,714
Economic development	-	-	21,864	-	21,864
Culture and recreation	53,653	-	-	-	53,653
Total disbursements	966,736	135,074	21,864	269,907	1,393,581
Excess (deficiency) of receipts over disbursements	(29,743)	66,763	143,653	18,666	199,339
Other financing sources (uses):					
Transfers in	-	-	-	5,000	5,000
Transfers out	(5,000)	-	-	-	(5,000)
Other receipts	2,101	2,033	-	4,000	8,134
Total other financing sources (uses)	(2,899)	2,033	-	9,000	8,134
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(32,642)	68,796	143,653	27,666	207,473
Cash and investment fund balance - beginning	746,758	385,623	64,337	663,122	1,859,840
Cash and investment fund balance - ending	<u>\$ 714,116</u>	<u>\$ 454,419</u>	<u>\$ 207,990</u>	<u>\$ 690,788</u>	<u>\$ 2,067,313</u>
Cash and Investment Assets - Ending					
Cash and investments	\$ 714,116	\$ 454,419	\$ -	\$ 578,519	\$ 1,747,054
Restricted assets:					
Cash and investments	-	-	207,990	112,269	320,259
Total cash and investment assets - ending	<u>\$ 714,116</u>	<u>\$ 454,419</u>	<u>\$ 207,990</u>	<u>\$ 690,788</u>	<u>\$ 2,067,313</u>
Cash and Investment Fund Balance - Ending					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ 2,393	\$ 2,393
Capital outlay	-	-	207,990	109,876	317,866
Unrestricted	714,116	454,419	-	578,519	1,747,054
Total cash and investment fund balance - ending	<u>\$ 714,116</u>	<u>\$ 454,419</u>	<u>\$ 207,990</u>	<u>\$ 690,788</u>	<u>\$ 2,067,313</u>

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

TOWN OF SPENCER
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, 2008

	Wastewater Utility
Operating receipts:	
Metered/measured	\$ 1,119,897
Miscellaneous	189,001
Total operating receipts	1,308,898
Operating disbursements:	
Administration and general	314,148
Treatment and disposal	147,573
Refunds	1,098
Miscellaneous	695,107
Total operating disbursements	1,157,926
Excess of operating receipts over operating disbursements	150,972
Nonoperating receipts (disbursements):	
Investment income	710
Debt service of principal	(96,000)
Interest disbursements	(17,705)
Total nonoperating disbursements	(112,995)
Excess of receipts over disbursements and nonoperating receipts	37,977
Transfers in	719,092
Transfers out	(719,092)
Excess (deficiency) of receipts, contributions and transfers in over disbursements and transfers out	37,977
Cash and investment fund balance - beginning	1,157,147
Cash and investment fund balance - ending	\$ 1,195,124
<u>Cash and Investment Assets - December 31</u>	
Cash and investments	\$ 1,195,124
Total cash and investment assets - December 31	\$ 1,195,124
<u>Cash and Investment Fund Balance - December 31</u>	
Unrestricted	1,195,124
Total cash and investment fund balance - December 31	\$ 1,195,124

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

TOWN OF SPENCER
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUND
For The Year Ended December 31, 2008

	<u>Payroll/Agency Fund</u>
Additions:	
Agency fund additions	<u>\$ 883,671</u>
Deductions:	
Agency fund deductions	<u>880,453</u>
Excess of total additions over total deductions	3,218
Cash and investment fund balance - beginning	<u>8,576</u>
Cash and investment fund balance - ending	<u><u>\$ 11,794</u></u>

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

TOWN OF SPENCER
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, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, and wastewater.

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

Primary Government: Town of Spencer

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, 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 OV fire territory fund is the operating fund for the fire department. It accounts for all financial resources of the day to day operations of the fire department.

The economic development income tax fund is a discretionary fund used for lawful purposes approved by the Town Council.

The Town reports the following major proprietary funds:

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

TOWN OF SPENCER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 and Wastewater Utility. 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.)

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. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in December. State statute (Indiana Code 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by

TOWN OF SPENCER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 School Corporation on or prior to December 31 of the year collected.

3. 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.

4. 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.

5. 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 SPENCER
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:

1. 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 government-wide Statement of Activities and Net Assets – Cash and Investment Basis.
2. Primary government and component unit activity and balances – Resource flows between the primary government and the discretely-presented component unit(s) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.

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 SPENCER
 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 and Investments

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 Town does not have a deposit policy for custodial credit risk. At December 31, 2008, the Town had deposit balances in the amount of \$3,054,954.

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, 2007 and 2008, were as follows:

Transfer From	Transfer To	2007	2008
General Fund	Other governmental funds	\$ 10,916	\$ 5,000

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.

TOWN OF SPENCER
NOTES TO FINANCIAL STATEMENTS
(Continued)

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; and natural disasters are covered by commercial insurance from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

B. Subsequent Events

Beginning in 2009, the State Pension Relief Fund shall pay to each unit of local government with Pre-1977 Local Police and Fire Fighter Pension obligations, the total amount of pension, disability, and survivor benefit payments. The Pre-1977 funds include the 1925 Police Pension Fund, the 1937 Firefighters' Fund, and the 1953 Police Pension Fund. For property taxes due and payable after December 31, 2008, the Department of Local Government Finance shall reduce the maximum permissible property tax levy of any civil taxing unit and special service district by the amount of the payment to be made in 2009 by the State for the obligations.

C. Rate Structure – Enterprise Funds

Wastewater Utility

The current rate structure was approved by the Town Council on March 5, 2007.

D. Pension Plan

Agent Multiple-Employer and Single-Employer Defined Benefit 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 (Indiana Code 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

TOWN OF SPENCER
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 Utility is not available.

Actuarial Information for the Above Plan

	PERF
Annual required contribution	\$ 35,390
Interest on net pension obligation	(3,617)
Adjustment to annual required contribution	4,122
Annual pension cost	35,895
Contributions made	42,251
Increase (decrease) in net pension obligation	(6,356)
Net pension obligation, beginning of year	(49,891)
Net pension obligation, end of year	\$ (56,247)

	PERF
Contribution rates:	
Town	6%
Plan members	3%
Actuarial valuation date	07-01-07
Actuarial cost method	Entry age
Amortization method	Level percentage of projected payroll, closed
Amortization period	30 years
Amortization period (from date)	07-01-97
Asset valuation method	75% of expected actuarial value plus 25% of market value

TOWN OF SPENCER
NOTES TO FINANCIAL STATEMENTS
(Continued)

Actuarial Assumptions	PERF
Investment rate of return	7.25%
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

Three Year Trend Information

	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
PERF	06-30-05	\$ 39,406	99%	\$ (40,434)
	06-30-06	31,158	130%	(49,891)
	06-30-07	35,895	118%	(56,247)

TOWN OF SPENCER
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROGRESS

Public Employees' Retirement Fund

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Excess of Assets Over (Unfunded) AAL (a-b)	Funded Ratio (a/b)	Covered Payroll (c)	Excess (Unfunded) AAL as a Percentage of Covered Payroll ((a-b)/c)
07-01-05	\$ 524,068	\$ 598,426	\$ (74,358)	88%	\$ 567,081	13%
07-01-06	501,516	526,227	(24,711)	95%	608,310	4%
07-01-07	591,562	666,424	(74,862)	89%	692,342	11%

TOWN OF SPENCER
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

	Motor Vehicle Highway	Local Road And Street	Parking Meter	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	102,394	12,131	-	-	-	2,000
Charges for services	-	-	-	1,625	-	-
Other	-	-	21,967	-	-	-
Total receipts	102,394	12,131	21,967	1,625	-	2,000
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	20,023	2,787	-	-
Highways and streets	84,299	14,359	-	-	-	-
Culture and recreation	-	-	-	-	-	1,068
Capital outlay:						
General government	-	-	-	-	20,000	-
Total disbursements	84,299	14,359	20,023	2,787	20,000	1,068
Excess (deficiency) of receipts over disbursements	18,095	(2,228)	1,944	(1,162)	(20,000)	932
Other financing sources (uses):						
Transfers in	-	-	-	-	-	5,000
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	5,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	18,095	(2,228)	1,944	(1,162)	(20,000)	5,932
Cash and investment fund balance - beginning	63,657	11,434	61,837	2,460	63,271	10,431
Cash and investment fund balance - ending	<u>\$ 81,752</u>	<u>\$ 9,206</u>	<u>\$ 63,781</u>	<u>\$ 1,298</u>	<u>\$ 43,271</u>	<u>\$ 16,363</u>
Cash and Investment Assets - Ending						
Cash and investments	\$ 81,752	\$ -	\$ 63,781	\$ 1,298	\$ 43,271	\$ 16,363
Restricted assets:						
Cash and investments	-	9,206	-	-	-	-
Total cash and investment assets - ending	<u>\$ 81,752</u>	<u>\$ 9,206</u>	<u>\$ 63,781</u>	<u>\$ 1,298</u>	<u>\$ 43,271</u>	<u>\$ 16,363</u>
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ -	\$ 9,206	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	81,752	-	63,781	1,298	43,271	16,363
Total cash and investment fund balance - ending	<u>\$ 81,752</u>	<u>\$ 9,206</u>	<u>\$ 63,781</u>	<u>\$ 1,298</u>	<u>\$ 43,271</u>	<u>\$ 16,363</u>

TOWN OF SPENCER
 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)

	Zoning	Rainy Day	Levy Excess	Street Cut Repair	Police Reserve	Police Training
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	170
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	1,962	-	-
Other	-	5,095	-	-	2,650	-
Total receipts	-	5,095	-	1,962	2,650	170
Disbursements:						
General government	165	-	-	2,006	-	400
Public safety	-	-	-	-	1,880	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Total disbursements	165	-	-	2,006	1,880	400
Excess (deficiency) of receipts over disbursements	(165)	5,095	-	(44)	770	(230)
Other financing sources (uses):						
Transfers in	-	-	193	-	-	-
Transfers out	-	-	(5,723)	-	-	-
Total other financing sources (uses)	-	-	(5,530)	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(165)	5,095	(5,530)	(44)	770	(230)
Cash and investment fund balance - beginning	2,854	90,603	5,723	33,326	3,775	231
Cash and investment fund balance - ending	\$ 2,689	\$ 95,698	\$ 193	\$ 33,282	\$ 4,545	\$ 1
Cash and Investment Assets - Ending						
Cash and investments	\$ 2,689	\$ 95,698	\$ 193	\$ 33,282	\$ 4,545	\$ 1
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 2,689	\$ 95,698	\$ 193	\$ 33,282	\$ 4,545	\$ 1
Cash and Investment Fund Balance - Ending						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	2,689	95,698	193	33,282	4,545	1
Total cash and investment fund balance - ending	\$ 2,689	\$ 95,698	\$ 193	\$ 33,282	\$ 4,545	\$ 1

TOWN OF SPENCER
 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)

	Safety Equipment	Cops-In-School	Public Relations	Meth	Drug Abuse Education	If Systems
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	3,397	-	-	-
Other	70,445	-	37	-	-	-
Total receipts	70,445	-	3,434	-	-	-
Disbursements:						
General government	-	22,440	1,527	-	-	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	70,445	-	-	-	-	-
Total disbursements	70,445	22,440	1,527	-	-	-
Excess (deficiency) of receipts over disbursements	-	(22,440)	1,907	-	-	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	(22,440)	1,907	-	-	-
Cash and investment fund balance - beginning	1,049	35,423	1,095	90	6,889	28
Cash and investment fund balance - ending	\$ 1,049	\$ 12,983	\$ 3,002	\$ 90	\$ 6,889	\$ 28
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 1,049	\$ 12,983	\$ 3,002	\$ 90	\$ 6,889	\$ 28
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	\$ 1,049	\$ 12,983	\$ 3,002	\$ 90	\$ 6,889	\$ 28
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	1,049	12,983	3,002	90	6,889	28
Total cash and investment fund balance - ending	\$ 1,049	\$ 12,983	\$ 3,002	\$ 90	\$ 6,889	\$ 28

TOWN OF SPENCER
 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)

	Street Cut Permit	OV Fire Territory Equipment	Cumulative Capital Development	Cumulative Capital Improvement	Totals
Receipts:					
Taxes	\$ -	\$ 24,282	\$ 34,404	\$ -	\$ 58,686
Licenses and permits	620	-	-	-	790
Intergovernmental	-	3,003	2,948	8,809	131,285
Charges for services	-	-	-	-	6,984
Other	-	120,344	-	-	220,538
Total receipts	<u>620</u>	<u>147,629</u>	<u>37,352</u>	<u>8,809</u>	<u>418,283</u>
Disbursements:					
General government	764	-	-	-	27,302
Public safety	-	-	-	-	24,690
Highways and streets	-	-	-	-	98,658
Culture and recreation	-	-	-	-	1,068
Capital outlay:					
General government	-	-	56,506	56,093	203,044
Total disbursements	<u>764</u>	<u>-</u>	<u>56,506</u>	<u>56,093</u>	<u>354,762</u>
Excess (deficiency) of receipts over disbursements	<u>(144)</u>	<u>147,629</u>	<u>(19,154)</u>	<u>(47,284)</u>	<u>63,521</u>
Other financing sources (uses):					
Transfers in	-	-	-	-	5,193
Transfers out	-	-	(12)	-	(5,735)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(12)</u>	<u>-</u>	<u>(542)</u>
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	<u>(144)</u>	<u>147,629</u>	<u>(19,166)</u>	<u>(47,284)</u>	<u>62,979</u>
Cash and investment fund balance - beginning	<u>449</u>	<u>-</u>	<u>75,714</u>	<u>129,804</u>	<u>600,143</u>
Cash and investment fund balance - ending	<u>\$ 305</u>	<u>\$ 147,629</u>	<u>\$ 56,548</u>	<u>\$ 82,520</u>	<u>\$ 663,122</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 305	\$ 147,629	\$ -	\$ -	\$ 514,848
Restricted assets:					
Cash and investments	-	-	56,548	82,520	148,274
Total cash and investment assets - ending	<u>\$ 305</u>	<u>\$ 147,629</u>	<u>\$ 56,548</u>	<u>\$ 82,520</u>	<u>\$ 663,122</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 9,206
Capital outlay	-	-	56,548	82,520	139,068
Unrestricted	305	147,629	-	-	514,848
Total cash and investment fund balance - ending	<u>\$ 305</u>	<u>\$ 147,629</u>	<u>\$ 56,548</u>	<u>\$ 82,520</u>	<u>\$ 663,122</u>

TOWN OF SPENCER
 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, 2008

	Motor Vehicle Highway	Local Road And Street	Parking Meter	Law Enforcement Continuing Ed	Riverboat	Parks And Recreation
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	80,350	10,205	-	-	53,710	9,748
Charges for services	-	-	19,926	1,406	-	-
Fines and forfeits	-	-	-	2,823	-	-
Other	-	-	-	-	-	-
Total receipts	80,350	10,205	19,926	4,229	53,710	9,748
Disbursements:						
General government	-	-	-	-	-	-
Public safety	-	-	17,734	2,010	-	-
Highways and streets	85,980	17,018	-	-	-	-
Culture and recreation	-	-	-	-	-	2,074
Capital outlay:						
General government	-	-	-	-	66,845	-
Total disbursements	85,980	17,018	17,734	2,010	66,845	2,074
Excess (deficiency) of receipts over disbursements	(5,630)	(6,813)	2,192	2,219	(13,135)	7,674
Other financing sources (uses):						
Transfers in	-	-	-	-	-	5,000
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	5,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	(5,630)	(6,813)	2,192	2,219	(13,135)	12,674
Cash and investment fund balance - beginning	81,752	9,206	63,781	1,298	43,271	16,363
Cash and investment fund balance - ending	<u>\$ 76,122</u>	<u>\$ 2,393</u>	<u>\$ 65,973</u>	<u>\$ 3,517</u>	<u>\$ 30,136</u>	<u>\$ 29,037</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 76,122	\$ -	\$ 65,973	\$ 3,517	\$ 30,136	\$ 29,037
Restricted assets:						
Cash and investments	-	2,393	-	-	-	-
Total cash and investment assets - ending	<u>\$ 76,122</u>	<u>\$ 2,393</u>	<u>\$ 65,973</u>	<u>\$ 3,517</u>	<u>\$ 30,136</u>	<u>\$ 29,037</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ 2,393	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	76,122	-	65,973	3,517	30,136	29,037
Total cash and investment fund balance - ending	<u>\$ 76,122</u>	<u>\$ 2,393</u>	<u>\$ 65,973</u>	<u>\$ 3,517</u>	<u>\$ 30,136</u>	<u>\$ 29,037</u>

TOWN OF SPENCER
 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, 2008
 (Continued)

	Zoning	Rainy Day	Levy Excess	Street Cut Repair	Police Reserve	Police Training
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	250	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	49,441	-	-	200	-
Total receipts	-	49,441	-	250	200	-
Disbursements:						
General government	-	7,751	-	2,516	-	-
Public safety	-	-	-	-	35	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	-	-
Total disbursements	-	7,751	-	2,516	35	-
Excess (deficiency) of receipts over disbursements	-	41,690	-	(2,266)	165	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	-	41,690	-	(2,266)	165	-
Cash and investment fund balance - beginning	2,689	95,698	193	33,283	4,545	1
Cash and investment fund balance - ending	<u>\$ 2,689</u>	<u>\$ 137,388</u>	<u>\$ 193</u>	<u>\$ 31,017</u>	<u>\$ 4,710</u>	<u>\$ 1</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 2,689	\$ 137,388	\$ 193	\$ 31,017	\$ 4,710	\$ 1
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 2,689</u>	<u>\$ 137,388</u>	<u>\$ 193</u>	<u>\$ 31,017</u>	<u>\$ 4,710</u>	<u>\$ 1</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	2,689	137,388	193	31,017	4,710	1
Total cash and investment fund balance - ending	<u>\$ 2,689</u>	<u>\$ 137,388</u>	<u>\$ 193</u>	<u>\$ 31,017</u>	<u>\$ 4,710</u>	<u>\$ 1</u>

TOWN OF SPENCER
 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, 2008
 (Continued)

	Safety Equipment	Cops-In-School	Public Relations	Meth	Drug Abuse Education	If Systems
Receipts:						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	705	-
Charges for services	-	-	2,200	-	-	-
Fines and forfeits	-	-	-	-	-	-
Other	-	-	251	-	-	-
Total receipts	-	-	2,451	-	705	-
Disbursements:						
General government	-	-	2,065	-	1,010	-
Public safety	-	-	-	-	-	-
Highways and streets	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay:						
General government	-	-	-	-	482	-
Total disbursements	-	-	2,065	-	1,492	-
Excess (deficiency) of receipts over disbursements	-	-	386	-	(787)	-
Other financing sources (uses):						
Transfers in	-	-	-	-	-	-
Other receipts	4,000	-	-	-	-	-
Total other financing sources (uses)	4,000	-	-	-	-	-
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	4,000	-	386	-	(787)	-
Cash and investment fund balance - beginning	1,049	12,982	3,002	90	6,889	28
Cash and investment fund balance - ending	<u>\$ 5,049</u>	<u>\$ 12,982</u>	<u>\$ 3,388</u>	<u>\$ 90</u>	<u>\$ 6,102</u>	<u>\$ 28</u>
<u>Cash and Investment Assets - Ending</u>						
Cash and investments	\$ 5,049	\$ 12,982	\$ 3,388	\$ 90	\$ 6,102	\$ 28
Restricted assets:						
Cash and investments	-	-	-	-	-	-
Total cash and investment assets - ending	<u>\$ 5,049</u>	<u>\$ 12,982</u>	<u>\$ 3,388</u>	<u>\$ 90</u>	<u>\$ 6,102</u>	<u>\$ 28</u>
<u>Cash and Investment Fund Balance - Ending</u>						
Restricted for:						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital outlay	-	-	-	-	-	-
Unrestricted	5,049	12,982	3,388	90	6,102	28
Total cash and investment fund balance - ending	<u>\$ 5,049</u>	<u>\$ 12,982</u>	<u>\$ 3,388</u>	<u>\$ 90</u>	<u>\$ 6,102</u>	<u>\$ 28</u>

TOWN OF SPENCER
 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, 2008
 (Continued)

	Street Cut Permit	OV Fire Territory Equipment	Cumulative Capital Development	Cumulative Capital Improvement	Totals
Receipts:					
Taxes	\$ -	\$ 20,673	\$ 26,318	\$ -	\$ 46,991
Licenses and permits	60	-	-	-	60
Intergovernmental	-	1,430	721	8,156	165,025
Charges for services	-	-	-	-	23,782
Fines and forfeits	-	-	-	-	2,823
Other	-	-	-	-	49,892
Total receipts	60	22,103	27,039	8,156	288,573
Disbursements:					
General government	-	-	-	-	13,342
Public safety	-	-	-	-	19,779
Highways and streets	-	-	-	-	102,998
Culture and recreation	-	-	-	-	2,074
Capital outlay:					
General government	-	-	15,584	48,803	131,714
Total disbursements	-	-	15,584	48,803	269,907
Excess (deficiency) of receipts over disbursements	60	22,103	11,455	(40,647)	18,666
Other financing sources (uses):					
Transfers in	-	-	-	-	5,000
Other receipts	-	-	-	-	4,000
Total other financing sources (uses)	-	-	-	-	9,000
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	60	22,103	11,455	(40,647)	27,666
Cash and investment fund balance - beginning	305	147,629	56,548	82,520	663,122
Cash and investment fund balance - ending	<u>\$ 365</u>	<u>\$ 169,732</u>	<u>\$ 68,003</u>	<u>\$ 41,873</u>	<u>\$ 690,788</u>
<u>Cash and Investment Assets - Ending</u>					
Cash and investments	\$ 365	\$ 169,732	\$ -	\$ -	\$ 578,519
Restricted assets:					
Cash and investments	-	-	68,003	41,873	112,269
Total cash and investment assets - ending	<u>\$ 365</u>	<u>\$ 169,732</u>	<u>\$ 68,003</u>	<u>\$ 41,873</u>	<u>\$ 690,788</u>
<u>Cash and Investment Fund Balance - Ending</u>					
Restricted for:					
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 2,393
Capital outlay	-	-	68,003	41,873	109,876
Unrestricted	365	169,732	-	-	578,519
Total cash and investment fund balance - ending	<u>\$ 365</u>	<u>\$ 169,732</u>	<u>\$ 68,003</u>	<u>\$ 41,873</u>	<u>\$ 690,788</u>

TOWN OF SPENCER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

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	\$ 53,000
Buildings	1,042,918
Improvements other than buildings	2,517,995
Machinery and equipment	<u>283,075</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 3,896,988</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	30,000
Buildings	129,535
Improvements other than buildings	2,817,340
Machinery and equipment	<u>195,826</u>
 Total Wastewater Utility capital assets	 <u>3,172,701</u>
 Total business-type activities capital assets	 <u>\$ 3,172,701</u>

TOWN OF SPENCER
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2008

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Fire Truck	\$ 29,204	\$ 15,584
2 - 2007 Dodge Charger Police Cars	<u>31,540</u>	<u>16,938</u>
Total governmental activities debt	<u>\$ 60,744</u>	<u>\$ 32,522</u>
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
1997 Sewage Bonds	\$ 1,026,000	\$ 130,754
2006 Sewage Bonds	320,000	25,656
2007 Sewage Bonds	<u>4,648,000</u>	<u>315,102</u>
Total Wastewater Utility	<u>5,994,000</u>	<u>471,512</u>
Total business-type activities debt:	<u>\$ 5,994,000</u>	<u>\$ 471,512</u>

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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

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 SPENCER, OWEN COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Spencer (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, 2007 and 2008. 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, 2007 and 2008.

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

July 2, 2009

TOWN OF SPENCER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2007 and 2008

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	Total Federal Awards Expended 12-31-08
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance	97.036	FEMA DR #1766	\$ 4,054	\$ 106,843
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Fund Enter project in this cell	66.458	WW0638602 WW06386003	9,138 <u>1,613,772</u>	6,737 <u>425,637</u>
Total for federal grantor agency			<u>1,622,910</u>	<u>432,374</u>
Total federal awards expended			<u>\$ 1,626,964</u>	<u>\$ 539,217</u>

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

TOWN OF SPENCER
NOTE 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 Spencer (Town) and is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Accordingly, the amount of federal awards expended is based on when the activity related to the award occurs. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with the Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF SPENCER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

Noncompliance material to financial statements noted? no

Federal Awards:

Internal control over major programs:

Material weaknesses identified?	no
Significant deficiencies identified that are not considered to be material weaknesses?	none reported

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

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

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grant for Clean Water State Revolving Fund

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

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SPENCER
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SPENCER
EXIT CONFERENCE

The contents of this report were discussed on July 2, 2009, with Linda Simmerman, Clerk-Treasurer; and Dean Bruce, President of the Town Council. Our audit disclosed no material items that warrant comment at this time.