

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

EXAMINATION REPORT
OF
TOWN OF FARMLAND
RANDOLPH COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
10/06/2009

TABLE OF CONTENTS

| <u>Description</u> | <u>Page</u> |
|--|-------------|
| Officials | 2 |
| Independent Accountant's Report..... | 3 |
| Financial Information: | |
| Schedules of Receipts, Disbursements, and Cash and Investment Balances | 4-5 |
| Notes to Financial Information | 6-7 |
| Supplementary Information: | |
| Schedule of Capital Assets..... | 8 |
| Schedule of Long-Term Debt | 9 |
| Exit Conference..... | 10 |

OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|----------------------------------|--------------------|----------------------|
| Clerk-Treasurer | Bernice A. Herndon | 01-01-04 to 12-31-11 |
| President of the Town Council | William B. Redmond | 01-01-07 to 12-31-07 |
| | Bill Necessary | 01-01-08 to 11-30-08 |
| | Hazel Lewis | 12-01-08 to 12-31-09 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FARMLAND, RANDOLPH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Farmland (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

September 3, 2009

TOWN OF FARMLAND
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, 2007 And 2008

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 237,744 | \$ 394,736 | \$ 397,322 | \$ 235,158 |
| Rainy Day | 37,823 | 6,640 | 4,000 | 40,463 |
| Motor Vehicle Highway | 203,279 | 63,578 | 33,915 | 232,942 |
| Local Road and Street | 32,953 | 8,465 | - | 41,418 |
| Fire Donation | 400 | 1,900 | - | 2,300 |
| Historic Farmland Donation | 500 | - | - | 500 |
| Park and Recreation Donation | 2,357 | 7,381 | 8,492 | 1,246 |
| Police Reserve Donation | 496 | 510 | 500 | 506 |
| FEMA Grant - Fire Department | - | 94,843 | 94,843 | - |
| State Grant - Fire Department Energy Defense | - | 2,847 | 2,847 | - |
| Law Enforcement Continuing Education | 2,755 | 981 | 50 | 3,686 |
| Riverboat | 18,597 | 9,181 | - | 27,778 |
| Cumulative Capital Improvement | 38,008 | 5,114 | - | 43,122 |
| Cumulative Capital Development | 50,976 | 8,457 | 298 | 59,135 |
| Cumulative Fire Special | 44,536 | 6,968 | - | 51,504 |
| Operation Pull Over Grant | 41 | 427 | 468 | - |
| Park - United Way Grant | 200 | - | - | 200 |
| Operation Pull Over | - | 17,076 | 17,076 | - |
| Home Rehabilitation Reimbursement | 3,308 | 20,535 | 24 | 23,819 |
| Micro Loan | 48,969 | - | 25,000 | 23,969 |
| Economic Development Income Tax | 101,755 | 37,633 | 4,494 | 134,894 |
| Façade Planning Grant | 5,150 | 45,720 | 50,800 | 70 |
| Return Check | 214 | 1,253 | 1,099 | 368 |
| Sanitation | 9,564 | 50,764 | 53,065 | 7,263 |
| Levy Excess | 923 | - | - | 923 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 15,961 | 165,352 | 175,427 | 5,886 |
| Water Utility - Bond and Interest | (1,019) | 1,019 | - | - |
| Water Utility - Depreciation | 25,718 | - | 4,835 | 20,883 |
| Water Utility - Customer Deposit | 24,230 | 7,785 | 4,454 | 27,561 |
| Water Utility - Construction | 1,340 | - | - | 1,340 |
| Wastewater Utility - Operating | 45,288 | 239,380 | 270,228 | 14,440 |
| Wastewater Utility - Bond and Interest | 84,290 | 106,509 | 46,178 | 144,621 |
| Wastewater Utility - Depreciation | 63,341 | 3,215 | 64,179 | 2,377 |
| Wastewater Utility - Improvement | 236,950 | 12,196 | - | 249,146 |
| Wastewater Utility - Storm Water Loan | 54,838 | 45,237 | 47,008 | 53,067 |
| Fiduciary Fund: | | | | |
| Payroll | 29,464 | 387,086 | 381,210 | 35,340 |
| Totals | <u>\$ 1,420,949</u> | <u>\$ 1,752,788</u> | <u>\$ 1,687,812</u> | <u>\$ 1,485,925</u> |

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

TOWN OF FARMLAND
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, 2007 And 2008

| | Cash and Investments 01-01-08 | Receipts | Disbursements | Cash and Investments 12-31-08 |
|--|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 235,158 | \$ 392,254 | \$ 414,222 | \$ 213,190 |
| Rainy Day | 40,463 | 8,680 | 952 | 48,191 |
| Motor Vehicle Highway | 232,942 | 46,958 | 76,874 | 203,026 |
| Local Road and Street | 41,418 | 4,703 | - | 46,121 |
| Fire Donation | 2,300 | - | - | 2,300 |
| Historic Farmland Donation | 500 | - | - | 500 |
| Park and Recreation Donation | 1,246 | 4,500 | - | 5,746 |
| Police Reserve Donation | 506 | - | - | 506 |
| Law Enforcement Continuing Education | 3,686 | 601 | 923 | 3,364 |
| Riverboat | 27,778 | 9,134 | - | 36,912 |
| Cumulative Capital Improvement | 43,122 | 4,735 | - | 47,857 |
| Cumulative Capital Development | 59,135 | 8,902 | 3,411 | 64,626 |
| Cumulative Fire Special | 51,504 | 6,938 | - | 58,442 |
| Park - United Way Grant | 200 | - | - | 200 |
| Home Rehabilitation Reimbursement | 23,819 | - | - | 23,819 |
| Micro Loan | 23,969 | - | - | 23,969 |
| Economic Development Income Tax | 134,894 | 31,039 | 46,870 | 119,063 |
| Façade Planning Grant | 70 | - | - | 70 |
| Façade Planning Grant # 2 | - | 35,000 | 31,685 | 3,315 |
| Return Check | 368 | 996 | 1,326 | 38 |
| Sanitation | 7,263 | 51,656 | 53,563 | 5,356 |
| Levy Excess | 923 | - | - | 923 |
| Proprietary Funds: | | | | |
| Water Utility - Operating | 5,886 | 168,563 | 172,034 | 2,415 |
| Water Utility - Depreciation | 20,883 | - | 17,434 | 3,449 |
| Water Utility - Customer Deposit | 27,561 | 7,785 | 5,006 | 30,340 |
| Water Utility - Construction | 1,340 | - | 1,340 | - |
| Wastewater Utility - Operating | 14,440 | 239,371 | 192,048 | 61,763 |
| Wastewater Utility - Bond and Interest | 144,621 | 16,007 | 44,953 | 115,675 |
| Wastewater Utility - Depreciation | 2,377 | 727 | 3,104 | - |
| Wastewater Utility - Improvement | 249,146 | 6,573 | 1,094 | 254,625 |
| Wastewater Utility - Storm Water Loan | 53,067 | - | 46,970 | 6,097 |
| Fiduciary Fund: | | | | |
| Payroll | 35,340 | 382,310 | 380,654 | 36,996 |
| Totals | <u>\$ 1,485,925</u> | <u>\$ 1,427,432</u> | <u>\$ 1,494,463</u> | <u>\$ 1,418,894</u> |

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

TOWN OF FARMLAND
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 FARMLAND
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

Note 7. Subsequent Event

The Town has been awarded a Community Focus Grant of \$500,000 to aid in the preservation and restoration of the façade of several of the Town's downtown historical buildings. The Town is required to provide \$20,000 as its share of the local match for this project. The remaining balance of the local match of \$69,974 has been collected from other entities. The Town has plans to enter into a contract with Advanced Restoration for \$522,000 to complete the project.

TOWN OF FARMLAND
 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.

General infrastructure assets completed in the current audit years have been reported. Retroactive reporting of general infrastructure assets will occur eventually.

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Governmental activities: | |
| Capital assets, not being depreciated: | |
| Land | \$ 68,091 |
| Infrastructure | 6,639 |
| Buildings | 469,053 |
| Improvements other than buildings | 253,868 |
| Machinery and equipment | <u>791,789</u> |
| Total governmental activities, capital assets not being depreciated | <u>\$ 1,589,440</u> |

| <u>Primary Government</u> | <u>Ending Balance</u> |
|--|---------------------------|
| Business-type activities: | |
| Water Utility: | |
| Capital assets, not being depreciated: | |
| Land | \$ 12,599 |
| Capital assets, being depreciated: | |
| Buildings | 64,783 |
| Improvements other than buildings | 762,982 |
| Machinery and equipment | <u>359,550</u> |
| Total Water Utility capital assets | <u>1,199,914</u> |
| Wastewater Utility: | |
| Capital assets, not being depreciated: | |
| Land | 61,069 |
| Capital assets, being depreciated: | |
| Buildings | 18,977 |
| Improvements other than buildings | 2,523,140 |
| Machinery and equipment | <u>64,925</u> |
| Total Wastewater Utility capital assets | <u>2,668,111</u> |
| Total business-type activities capital assets | <u>\$ 3,868,025</u> |

TOWN OF FARMLAND
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2008

| Description of Asset | Ending Balance | Principal and Interest Due Within One Year |
|---|-------------------|---|
| Governmental Activities: | | |
| Fire truck loan payable | \$ 42,203 | \$ 22,219 |
| Business-type Activities: | | |
| Water Utility | | |
| Water Utility Improvement Loan | \$ 10,880 | \$ 11,209 |
| Wastewater Utility | | |
| Revenue bonds: | | |
| 1994 Debt-Sewage | 249,365 | 48,728 |
| 2005 Improvement | 564,776 | 46,093 |
| Total Wastewater Utility | 814,141 | 94,821 |
| Total business-type activities long-term debt: | \$ 825,021 | \$ 106,030 |

TOWN OF FARMLAND
EXIT CONFERENCE

The contents of this report were discussed on September 3, 2009, with Bernice A. Herndon, Clerk-Treasurer; and Hazel Lewis, President of the Town Council. Our examination disclosed no material items that warrant comment at this time.