

B37237

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

AUDIT REPORT

OF

TOWN OF SANDBORN

KNOX COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
07/20/2010

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 Funds.....	9, 13
Fiduciary Fund:	
Statement of Additions, Deductions, and Changes in Cash and Investment Balances – Fiduciary Fund.....	10, 14
Notes to Financial Statements	15-20
Supplementary Information:	
Combining Schedule of Assets and Fund Balances and Receipts, Disbursements, and Changes in Fund Balances – Cash and Investment Basis – Other Governmental Funds.....	21, 23
Combining Schedule of Additions, Deductions, and Changes in Cash and Investment Balances – Agency Funds.....	22, 24
Schedule of Capital Assets.....	25
Schedule of Long-Term Debt	26
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.....	28-29
Schedule of Expenditures of Federal Awards	30
Notes to Schedule of Expenditures of Federal Awards.....	31
Schedule of Findings and Questioned Costs	32
Auditee Prepared Schedule:	
Summary Schedule of Prior Audit Findings	33
Exit Conference.....	34

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda J. Hancock Judith C. Hartsburg	01-01-08 to 03-03-09 03-04-09 to 12-31-11
President of the Town Council	Donald R. Hill Roger Blackwell Jon McKee Russell F. Walls, Jr.	01-01-08 to 12-31-08 01-01-09 to 04-07-09 04-07-09 to 09-02-09 09-03-09 to 12-31-10
Superintendent of Utilities	Clifford L. Pemberton, Sr. Herbert Hastings	01-01-08 to 09-18-09 09-18-09 to 12-31-10



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 FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sandborn (Town), as of and for the years ended December 31, 2008 and 2009, 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, 2008 and 2009, 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 June 9, 2010, 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 integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

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

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. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The Town has not presented Management's Discussion and Analysis, or Budgetary Comparison Schedules that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The Combining Schedules, as listed in the Table of Contents, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the basic financial statements. The Combining Schedules, as listed in the Table of Contents, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Schedule of Capital Assets and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 9, 2010



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

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sandborn (Town), as of and for the years ended December 31, 2008 and 2009, which collectively comprise the Town's basic financial statements and have issued our report thereon dated June 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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)

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.

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, 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

June 9, 2010

TOWN OF SANDBORN
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	\$ 99,226	\$ -	\$ -	\$ -	\$ (99,226)	\$ -	\$ (99,226)
Highways and streets	28,451	75	12,167	2,401	(13,808)	-	(13,808)
Sanitation	-	-	37,141	-	37,141	-	37,141
Economic development	37,985	-	-	74,894	36,909	-	36,909
Culture and recreation	17,339	-	-	-	(17,339)	-	(17,339)
Urban redevelopment and housing	74,894	-	-	-	(74,894)	-	(74,894)
Total governmental activities	257,895	75	49,308	77,295	(131,217)	-	(131,217)
Business-type activities:							
Water Utility	98,965	99,250	-	-	-	285	285
Wastewater Utility	800,012	119,517	865,800	-	-	185,305	185,305
Total business-type activities	898,977	218,767	865,800	-	-	185,590	185,590
Total primary government	\$ 1,156,872	\$ 218,842	\$ 915,108	\$ 77,295	(131,217)	185,590	54,373
General receipts:							
Property taxes					27,208	-	27,208
Intergovernmental					25,133	-	25,133
Other local sources					34,083	7,882	41,965
Grants and contributions not restricted to specific programs					3,918	-	3,918
Investment earnings					1,155	2,505	3,660
Total general receipts					91,497	10,387	101,884
Change in net assets					(39,720)	195,977	156,257
Net assets - beginning					107,059	48,614	155,673
Net assets - ending					\$ 67,339	\$ 244,591	\$ 311,930
<u>Assets</u>							
Cash and investments					\$ 1,644	\$ 230,440	\$ 232,084
Restricted assets:							
Cash and investments					65,695	14,151	79,846
Total assets					\$ 67,339	\$ 244,591	\$ 311,930
<u>Net Assets</u>							
Restricted for:							
Public safety					\$ 787	\$ -	\$ 787
Highways and streets					26,624	-	26,624
Economic development					14,223	-	14,223
Culture and recreation					16,013	-	16,013
Capital outlay					8,048	-	8,048
Debt service					-	164,906	164,906
Other purposes					-	61,633	61,633
Unrestricted					1,644	18,052	19,696
Total net assets					\$ 67,339	\$ 244,591	\$ 311,930

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

TOWN OF SANDBORN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2008

	General	MVH	Housing Rehabilitation Grant	Parks And Recreation	CEDIT	Other Governmental Funds	Totals
Receipts:							
Taxes	\$ 18,028	\$ 3,385	\$ -	\$ 5,795	\$ -	\$ -	\$ 27,208
Intergovernmental	11,115	12,868	74,894	734	6,249	45,876	151,736
Charges for services	-	75	-	-	-	-	75
Interfund loans	10,000	-	-	-	500	20,000	30,500
Other	4,637	508	-	-	-	9,875	15,020
Total receipts	43,780	16,836	74,894	6,529	6,749	75,751	224,539
Disbursements:							
General government	52,300	-	-	-	9,000	8,000	69,300
Highways and streets	-	22,653	-	-	-	1,795	24,448
Economic development	-	-	-	-	10,814	22,871	33,685
Culture and recreation	-	-	-	6,732	-	9,838	16,570
Urban redevelopment and housing	-	-	21,962	-	-	-	21,962
Interfund loans	10,000	-	-	-	-	20,500	30,500
Capital outlay:							
General government	14,796	-	-	-	-	15,130	29,926
Highways and streets	-	4,003	-	-	-	-	4,003
Economic development	-	-	-	-	-	4,300	4,300
Culture and recreation	-	-	-	769	-	-	769
Urban redevelopment and housing	-	-	52,932	-	-	-	52,932
Total disbursements	77,096	26,656	74,894	7,501	19,814	82,434	288,395
Deficiency of receipts over disbursements	(33,316)	(9,820)	-	(972)	(13,065)	(6,683)	(63,856)
Other financing sources:							
Other receipts	-	-	-	59	8,800	15,277	24,136
Deficiency of receipts and other financing sources over disbursements and other financing sources	(33,316)	(9,820)	-	(913)	(4,265)	8,594	(39,720)
Cash and investment fund balance - beginning	34,960	23,371	-	12,440	12,155	24,133	107,059
Cash and investment fund balance - ending	\$ 1,644	\$ 13,551	\$ -	\$ 11,527	\$ 7,890	\$ 32,727	\$ 67,339
Cash and Investment Assets - Ending							
Cash and investments	\$ 1,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,644
Restricted assets:							
Cash and investments	-	13,551	-	11,527	7,890	32,727	65,695
Total cash and investment assets - ending	\$ 1,644	\$ 13,551	\$ -	\$ 11,527	\$ 7,890	\$ 32,727	\$ 67,339
Cash and Investment Fund Balance - Ending							
Restricted for:							
Public safety	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 787	\$ 787
Highways and streets	-	13,551	-	-	-	13,073	26,624
Economic development	-	-	-	-	7,890	6,333	14,223
Culture and recreation	-	-	-	11,527	-	4,486	16,013
Capital outlay	-	-	-	-	-	8,048	8,048
Unrestricted	1,644	-	-	-	-	-	1,644
Total cash and investment fund balance - ending	\$ 1,644	\$ 13,551	\$ -	\$ 11,527	\$ 7,890	\$ 32,727	\$ 67,339

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

TOWN OF SANDBORN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For the Year Ended December 31, 2008

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered/flat rate	\$ 359	\$ -	\$ 359
Metered/measured	60,766	117,149	177,915
Fire protection receipts	9,890	-	9,890
Penalties	1,146	1,868	3,014
Interfund loan proceeds	4,000	-	4,000
Miscellaneous	23,089	500	23,589
	<u>99,250</u>	<u>119,517</u>	<u>218,767</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	32,570	12,833	45,403
Employee pensions and benefits	5,371	1,288	6,659
Purchased power	3,991	3,276	7,267
Chemicals	934	-	934
Material and supplies	3,458	5,430	8,888
Contractual services	11,688	6,989	18,677
Transportation	1,585	1,358	2,943
Insurance claims and expense	3,279	1,403	4,682
Administration and general	-	440	440
Equipment and capital improvements	3,204	736,449	739,653
Miscellaneous	7,528	1,583	9,111
	<u>73,608</u>	<u>771,049</u>	<u>844,657</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>25,642</u>	<u>(651,532)</u>	<u>(625,890)</u>
Nonoperating receipts (disbursements):			
Rent	990	-	990
Investment income	47	2,458	2,505
Refunds	5,327	1,565	6,892
Grants	-	865,800	865,800
Debt service of principal	(20,728)	(28,963)	(49,691)
Interest disbursements	(4,629)	-	(4,629)
	<u>(18,993)</u>	<u>840,860</u>	<u>821,867</u>
Total nonoperating receipts (disbursements)			
Excess of receipts over disbursements and nonoperating receipts (disbursements)	<u>6,649</u>	<u>189,328</u>	<u>195,977</u>
Cash and investment fund balance - beginning	<u>5,742</u>	<u>42,872</u>	<u>48,614</u>
Cash and investment fund balance - ending	<u>\$ 12,391</u>	<u>\$ 232,200</u>	<u>\$ 244,591</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 8,146	\$ 222,294	\$ 230,440
Restricted assets:			
Cash and investments	<u>4,245</u>	<u>9,906</u>	<u>14,151</u>
Total cash and investment assets - December 31	<u>\$ 12,391</u>	<u>\$ 232,200</u>	<u>\$ 244,591</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 164,906	\$ 164,906
Other purposes	4,245	57,388	61,633
Unrestricted	<u>8,146</u>	<u>9,906</u>	<u>18,052</u>
Total cash and investment fund balance - December 31	<u>\$ 12,391</u>	<u>\$ 232,200</u>	<u>\$ 244,591</u>

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

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

	<u>Agency Fund</u>
Cash and investment fund balance - ending	\$ <u>2,765</u>

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

TOWN OF SANDBORN
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH AND INVESTMENT BASIS
For The Year Ended December 31, 2009

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	\$ 9,947	\$ -	\$ 4,099	\$ -	\$ (5,848)	\$ -	\$ (5,848)
Highways and streets	18,040	965	11,932	2,272	(2,871)	-	(2,871)
Sanitation	-	-	2,333	-	2,333	-	2,333
Economic development	10,157	-	-	-	(10,157)	-	(10,157)
Culture and recreation	56,759	-	-	-	(56,759)	-	(56,759)
Total governmental activities	94,903	965	18,364	2,272	(73,302)	-	(73,302)
Business-type activities:							
Water Utility	98,485	96,091	-	-	-	(2,394)	(2,394)
Wastewater Utility	196,325	139,391	14,300	-	-	(42,634)	(42,634)
Total business-type activities	294,810	235,482	14,300	-	-	(45,028)	(45,028)
Total primary government	\$ 389,713	\$ 236,447	\$ 32,664	\$ 2,272	(73,302)	(45,028)	(118,330)
General receipts:							
Property taxes					68,362	-	68,362
Intergovernmental					23,660	-	23,660
Other local sources					20,395	990	21,385
Investment earnings					395	2,954	3,349
Interfund loans					(4,445)	-	(4,445)
Total general receipts					108,367	3,944	112,311
Change in net assets					35,065	(41,084)	(6,019)
Net assets - beginning					67,339	244,591	311,930
Net assets - ending					\$ 102,404	\$ 203,507	\$ 305,911
Assets							
Cash and investments					\$ 60,925	\$ 13,009	\$ 73,934
Restricted assets:							
Cash and investments					41,479	190,498	231,977
Total assets					\$ 102,404	\$ 203,507	\$ 305,911
Net Assets							
Restricted for:							
Public safety					\$ 787	\$ -	\$ 787
Highways and streets					30,645	-	30,645
Culture and recreation					17,842	-	17,842
Debt service					-	166,246	166,246
Capital outlay					22,290	-	22,290
Other purposes					4,469	24,252	28,721
Unrestricted					26,371	13,009	39,380
Total net assets					\$ 102,404	\$ 203,507	\$ 305,911

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

TOWN OF SANDBORN
STATEMENT OF ASSETS AND FUND BALANCES AND RECEIPTS,
DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2009

	General	MVH	Parks And Recreation	CEDIT	Other Governmental Funds	Totals
Receipts:						
Taxes	\$ 50,222	\$ 10,426	\$ 7,714	\$ -	\$ -	\$ 68,362
Intergovernmental	14,947	12,662	364	3,843	12,480	44,296
Charges for services	-	965	-	-	-	965
Interfund loans	10,000	1,655	-	14,000	-	25,655
Other	1,952	-	391	8,785	9,662	20,790
Total receipts	77,121	25,708	8,469	26,628	22,142	160,068
Disbursements:						
General government	-	-	-	-	9,947	9,947
Highways and streets	-	11,139	-	-	640	11,779
Economic development	-	-	-	1,327	8,830	10,157
Culture and recreation	42,394	-	6,624	-	7,726	56,744
Interfund loans	10,000	6,000	-	14,100	-	30,100
Capital outlay:						
Highways and streets	-	6,261	-	-	-	6,261
Culture and recreation	-	-	15	-	-	15
Total disbursements	52,394	23,400	6,639	15,427	27,143	125,003
Excess (deficiency) of receipts over disbursements	24,727	2,308	1,830	11,201	(5,001)	35,065
Cash and investment fund balance - beginning	1,644	13,551	11,527	7,890	32,727	67,339
Cash and investment fund balance - ending	\$ 26,371	\$ 15,859	\$ 13,357	\$ 19,091	\$ 27,726	\$ 102,404
Cash and Investment Assets - Ending						
Cash and investments	\$ 26,371	\$ -	\$ -	\$ -	\$ -	\$ 26,371
Restricted assets:						
Cash and investments	-	15,859	13,357	19,091	27,726	76,033
Total cash and investment assets - ending	\$ 26,371	\$ 15,859	\$ 13,357	\$ 19,091	\$ 27,726	\$ 102,404
Cash and Investment Fund Balance - Ending						
Restricted for:						
Public safety	\$ -	\$ -	\$ -	\$ -	\$ 787	\$ 787
Highways and streets	-	15,859	-	-	14,786	30,645
Culture and recreation	-	-	13,357	-	4,485	17,842
Capital outlay	-	-	-	19,091	3,199	22,290
Other purposes	-	-	-	-	4,469	4,469
Unrestricted	26,371	-	-	-	-	26,371
Total cash and investment fund balance - ending	\$ 26,371	\$ 15,859	\$ 13,357	\$ 19,091	\$ 27,726	\$ 102,404

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

TOWN OF SANDBORN
STATEMENT OF ASSETS AND FUND BALANCES AND
RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
PROPRIETARY FUNDS
As Of And For the Year Ended December 31, 2009

	Water Utility	Wastewater Utility	Totals
Operating receipts:			
Unmetered/flat rate	\$ 483	\$ -	\$ 483
Metered/measured	71,819	134,328	206,147
Penalties	1,548	3,227	4,775
Fire protection receipts	9,890	-	9,890
Charges for services	450	-	450
Interfund loan proceeds	10,000	-	10,000
Miscellaneous	1,901	1,836	3,737
	<u>96,091</u>	<u>139,391</u>	<u>235,482</u>
Total operating receipts			
Operating disbursements:			
Salaries and wages	30,202	14,000	44,202
Employee pensions and benefits	4,741	3,020	7,761
Purchased power	3,920	4,998	8,918
Chemicals	886	160	1,046
Material and supplies	3,392	2,313	5,705
Contractual services	11,696	9,848	21,544
Transportation	667	685	1,352
Insurance claims and expense	2,610	3,242	5,852
Interfund loans made/repaid	5,655	-	5,655
Capital Outlay	-	71,288	71,288
Refunds	1,355	200	1,555
Miscellaneous	9,717	3,631	13,348
	<u>74,841</u>	<u>113,385</u>	<u>188,226</u>
Total operating disbursements			
Excess (deficiency) of operating receipts over operating disbursements	<u>21,250</u>	<u>26,006</u>	<u>47,256</u>
Nonoperating receipts (disbursements):			
Rent	990	-	990
Investment income	27	2,927	2,954
Grants	-	14,300	14,300
Debt service of principal	(21,498)	(18,000)	(39,498)
Interest disbursements	(2,146)	(64,940)	(67,086)
	<u>(22,627)</u>	<u>(65,713)</u>	<u>(88,340)</u>
Total nonoperating disbursements			
Deficiency of receipts over disbursements and nonoperating disbursements	(1,377)	(39,707)	(41,084)
Cash and investment fund balance - beginning	<u>12,391</u>	<u>232,200</u>	<u>244,591</u>
Cash and investment fund balance - ending	<u>\$ 11,014</u>	<u>\$ 192,493</u>	<u>\$ 203,507</u>
<u>Cash and Investment Assets - December 31</u>			
Cash and investments	\$ 7,324	\$ 5,685	\$ 13,009
Restricted assets:			
Cash and investments	<u>3,690</u>	<u>186,808</u>	<u>190,498</u>
Total cash and investment assets - December 31	<u>\$ 11,014</u>	<u>\$ 192,493</u>	<u>\$ 203,507</u>
<u>Cash and Investment Fund Balance - December 31</u>			
Restricted for:			
Debt service	\$ -	\$ 166,246	\$ 166,246
Other purposes	3,690	20,562	24,252
Unrestricted	<u>7,324</u>	<u>5,685</u>	<u>13,009</u>
Total cash and investment fund balance - December 31	<u>\$ 11,014</u>	<u>\$ 192,493</u>	<u>\$ 203,507</u>

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

TOWN OF SANDBORN
STATEMENT OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
FIDUCIARY FUNDS
For The Year Ended December 31, 2009

	<u>Agency Funds</u>
Cash and investment fund balance - ending	<u>\$ 1,865</u>

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

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: highways and streets, culture and recreation, public improvements, general administrative services, water, and wastewater.

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

Primary Government: Town of Sandborn

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, 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 CEDIT fund (capital projects) accounts for the Town's use of economic development income tax revenues.

The motor vehicle highway (MVH) fund accounts for state and local monies collected for highway and street construction and improvements.

The parks and recreation fund accounts for receipts and disbursements for operating and maintaining the park.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

The housing rehabilitation grant fund accounts for receipts and disbursements related to the grant.

The Town reports the following major enterprise funds:

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

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

Additionally, the Town reports the following fund type:

Agency funds account for assets held by the Town as an agent for federal and state revenue agencies and serve as control of accounts for cash transactions during the time they are a liability to the Town.

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 its enterprise funds. 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.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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

When both restricted and unrestricted resources are available for use, the Town's policy is to use restricted resources first, then unrestricted resources as they are needed.

D. Assets and Cash and Investment Balances

1. Restricted Assets

All restricted assets, as presented in the accompanying financial statements, are restricted due to enabling legislation.

2. 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.

3. Property Taxes

Normally, property taxes levied are collected by the County Treasurer and are distributed to the Town in June and in 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. 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 may 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.

4. 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.

5. Long-Term Debt

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

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

6. 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."

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.

2. Operating Receipts and Disbursements

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

F. Internal and Interfund 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 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 loans – Flow of assets from one fund to another where repayment is expected is reported as interfund loans.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

Government-Wide Financial Statements

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

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

II. Stewardship, Compliance and Accountability

A. Budgetary Information

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

Prior to the first required publication, the fiscal officer of the Town submits to the governing board a proposed operating budget for the year commencing the following January 1. Prior to adoption, the budget is advertised and public hearings are conducted by the governing board to obtain taxpayer comments. Prior to November 1, 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

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. IC 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, 2009, the Town had deposit balances in the amount of \$309,908.

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.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

IV. Other Information

A. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and natural disasters.

The risks of torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, and natural disasters are covered by commercial insurance from independent third parties.

Settled claims from risks covered by commercial insurance have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance by major category of risk.

During 1997, the Town joined with other governmental entities in the Indiana Public Employers' Plan, a public entity risk pool currently operating as a common risk management and insurance program for 350 member governmental entities. This risk pool was formed in the 1989. The purpose of the risk pool is to provide a medium for the funding and administration of job related illnesses or injuries to employees. The Town pays an annual premium to the risk pool for its job related illnesses or injuries to employees coverage. The risk pool is considered a self-sustaining risk pool that will provide coverage for its members for up to \$1,000,000 per insured event.

B. Rate Structure – Enterprise Funds

Water Utility

On December 2, 1987, the Town Council adopted Ordinance 5-1987 to withdraw from the jurisdiction of the Indiana Utility Regulatory Commission. The current rate structure was approved by the Council on January 6, 2009.

Wastewater Utility

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

C. Receipts Pledged

Wastewater Utility Receipts Pledged

The Town has pledged future wastewater revenues, net of specified operating expenditures, to repay revenue bonds issued in 2007. Proceeds from the bonds provided financing for construction of the wastewater utility system. The bonds are payable solely from wastewater net revenues and are payable through 2047. Annual principal and interest payments are expected to require less than 54 percent of net revenues.

CITY OF SANDBORN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2008

	Local Road & Street	Park Nonreverting Operating	Citizens Patrol	Community Building/Center	Rainy Day	Sewer Grant	Children's Art Grant	Cumulative Capital Improvement	Totals
Receipts:									
Intergovernmental	\$ 2,401	\$ -	\$ -	\$ -	\$ 4,867	\$ 37,141	\$ -	\$ 1,467	\$ 45,876
Interfund loans	-	-	-	-	20,000	-	-	-	20,000
Other	-	2,859	-	6,505	-	11	500	-	9,875
Total receipts	2,401	2,859	-	6,505	24,867	37,152	500	1,467	75,751
Disbursements:									
General government	-	-	-	-	8,000	-	-	-	8,000
Highways and streets	1,795	-	-	-	-	-	-	-	1,795
Economic development	-	-	-	-	-	21,780	-	1,091	22,871
Culture and recreation	-	2,603	-	6,087	-	-	1,148	-	9,838
Interfund loans	-	-	-	-	10,000	10,500	-	-	20,500
Capital outlay:									
General government	-	-	-	-	15,130	-	-	-	15,130
Economic development	-	-	-	-	-	1,910	-	2,390	4,300
Total disbursements	1,795	2,603	-	6,087	33,130	34,190	1,148	3,481	82,434
Excess (deficiency) of receipts over disbursements	606	256	-	418	(8,263)	2,962	(648)	(2,014)	(6,683)
Other financing sources:									
Other receipts	-	100	-	-	15,130	-	47	-	15,277
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	606	356	-	418	6,867	2,962	(601)	(2,014)	8,594
Cash and investment fund balance - beginning	12,467	3,089	787	623	1,138	3,371	601	2,057	24,133
Cash and investment fund balance - ending	<u>\$ 13,073</u>	<u>\$ 3,445</u>	<u>\$ 787</u>	<u>\$ 1,041</u>	<u>\$ 8,005</u>	<u>\$ 6,333</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 32,727</u>
Cash and Investment Assets - Ending									
Restricted assets:									
Cash and investments	<u>\$ 13,073</u>	<u>\$ 3,445</u>	<u>\$ 787</u>	<u>\$ 1,041</u>	<u>\$ 8,005</u>	<u>\$ 6,333</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 32,727</u>
Cash and Investment Fund Balance - Ending									
Restricted for:									
Public safety	\$ -	\$ -	\$ 787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 787
Highways and streets	13,073	-	-	-	-	-	-	-	13,073
Economic development	-	-	-	-	-	6,333	-	-	6,333
Culture and recreation	-	3,445	-	1,041	-	-	-	-	4,486
Capital outlay	-	-	-	-	8,005	-	-	43	8,048
Total cash and investment fund balance - ending	<u>\$ 13,073</u>	<u>\$ 3,445</u>	<u>\$ 787</u>	<u>\$ 1,041</u>	<u>\$ 8,005</u>	<u>\$ 6,333</u>	<u>\$ -</u>	<u>\$ 43</u>	<u>\$ 32,727</u>

TOWN OF SANDBORN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2008

	Payroll
Additions:	
Agency fund additions	\$ 86,650
Deductions:	
Agency fund deductions	86,428
Excess of total additions over total deductions	222
Cash and investment fund balance - beginning	2,543
Cash and investment fund balance - ending	\$ 2,765

TOWN OF SANDBORN
 COMBINING SCHEDULE OF ASSETS AND FUND BALANCES AND
 RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCES - CASH AND INVESTMENT BASIS
 OTHER GOVERNMENTAL FUNDS
 For The Year Ended December 31, 2009

	Local Road and Street	Park Nonreverting Operating	Citizens Patrol	Stormwater Drainage Grant	Community Building/Center	Rainy Day	Sewer Grant	Cumulative Capital Improvement	Totals
Receipts:									
Intergovernmental	\$ 2,272	\$ -	\$ -	\$ 4,100	\$ -	\$ 2,392	\$ 2,333	\$ 1,383	\$ 12,480
Other	-	1,320	-	-	6,405	-	-	1,937	9,662
Total receipts	<u>2,272</u>	<u>1,320</u>	<u>-</u>	<u>4,100</u>	<u>6,405</u>	<u>2,392</u>	<u>2,333</u>	<u>3,320</u>	<u>22,142</u>
Disbursements:									
General government	-	-	-	4,019	-	5,928	-	-	9,947
Highways and streets	640	-	-	-	-	-	-	-	640
Economic development	-	-	-	-	-	-	8,666	164	8,830
Culture and recreation	-	1,330	-	-	6,396	-	-	-	7,726
Total disbursements	<u>640</u>	<u>1,330</u>	<u>-</u>	<u>4,019</u>	<u>6,396</u>	<u>5,928</u>	<u>8,666</u>	<u>164</u>	<u>27,143</u>
Excess (deficiency) of receipts over disbursements	<u>1,632</u>	<u>(10)</u>	<u>-</u>	<u>81</u>	<u>9</u>	<u>(3,536)</u>	<u>(6,333)</u>	<u>3,156</u>	<u>(5,001)</u>
Cash and investment fund balance - beginning	<u>13,073</u>	<u>3,445</u>	<u>787</u>	<u>-</u>	<u>1,041</u>	<u>8,005</u>	<u>6,333</u>	<u>43</u>	<u>32,727</u>
Cash and investment fund balance - ending	<u>\$ 14,705</u>	<u>\$ 3,435</u>	<u>\$ 787</u>	<u>\$ 81</u>	<u>\$ 1,050</u>	<u>\$ 4,469</u>	<u>\$ -</u>	<u>\$ 3,199</u>	<u>\$ 27,726</u>
Cash and Investment Assets - Ending									
Restricted assets:									
Cash and investments	<u>\$ 14,705</u>	<u>\$ 3,435</u>	<u>\$ 787</u>	<u>\$ 81</u>	<u>\$ 1,050</u>	<u>\$ 4,469</u>	<u>\$ -</u>	<u>\$ 3,199</u>	<u>\$ 27,726</u>
Cash and Investment Fund Balance - Ending									
Restricted for:									
Public safety	\$ -	\$ -	\$ 787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 787
Highways and streets	14,705	-	-	81	-	-	-	-	14,786
Culture and recreation	-	3,435	-	-	1,050	-	-	-	4,485
Capital outlay	-	-	-	-	-	-	-	3,199	3,199
Other purposes	-	-	-	-	-	4,469	-	-	4,469
Total cash and investment fund balance - ending	<u>\$ 14,705</u>	<u>\$ 3,435</u>	<u>\$ 787</u>	<u>\$ 81</u>	<u>\$ 1,050</u>	<u>\$ 4,469</u>	<u>\$ -</u>	<u>\$ 3,199</u>	<u>\$ 27,726</u>

TOWN OF SANDBORN
 COMBINING SCHEDULE OF ADDITIONS, DEDUCTIONS, AND CHANGES IN CASH AND INVESTMENT BALANCES
 AGENCY FUND
 For The Year Ended December 31, 2009

	Payroll
Additions: Agency fund additions	\$ <u>78,848</u>
Deductions: Agency fund deductions	<u>79,748</u>
Deficiency of total additions over total deductions	(900)
Cash and investment fund balance - beginning	<u>2,765</u>
Cash and investment fund balance - ending	\$ <u><u>1,865</u></u>

TOWN OF SANDBORN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

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 (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at ACTUAL cost

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 3,751
Infrastructure	214,762
Buildings	<u>165,356</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>383,869</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 15,000
Buildings	316,517
Improvements other than buildings	<u>310,416</u>
 Total Water Utility capital assets	 <u>641,933</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	<u>10,133</u>
 Total Wastewater Utility capital assets	 <u>10,133</u>
 Total business-type activities capital assets	 \$ <u>652,066</u>

TOWN OF SANDBORN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Loans Payable:		
Water Utility Upgrade/Repairs Loan	\$ 34,652	\$ 20,577
Water Well Land Acquisition	<u>18,829</u>	<u>4,800</u>
Total Water Utility	<u>53,481</u>	<u>25,377</u>
Wastewater Utility:		
Revenue Bonds:		
Sewer Plant Construction Loan	<u>1,533,628</u>	<u>83,989</u>
Total business-type activities debt	<u>\$ 1,587,109</u>	<u>\$ 109,366</u>

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 SANDBORN, KNOX COUNTY, INDIANA

Compliance

We have audited the compliance of the Town of Sandborn (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the years ended December 31, 2008 and 2009. 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, 2008 and 2009.

Internal Control Over Compliance

The management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A control deficiency in a Town's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be significant deficiencies or material weaknesses, as defined above.

This report is intended solely for the information and use of the Town's management, 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

June 9, 2010

TOWN OF SANDBORN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2008 and 2009

Federal Grantor Agency/Pass-Through Entity Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-08	Total Federal Awards Expended 12-31-09
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 262,993	\$ 66,110
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Housing and Community Development Authority State Administered Small Cities Program Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CF-005-130	74,894	-
<u>U.S. DEPARTMENT OF ENVIRONMENTAL PROTECTION AGENCY</u>				
Direct Grant				
Congressionally Mandated Projects Wastewater Treatment and Collection System	66.202	XP00E39201-1	424,337	53,463
Total federal awards expended			\$ 762,224	\$ 119,573

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

TOWN OF SANDBORN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Sandborn (Town) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

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 SANDBORN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?	no
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 Program:

CFDA Number	Name of Federal Program or Cluster
66.202	Congressionally Mandated Projects

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

Auditee qualified as low-risk auditee? no

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SANDBORN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SANDBORN
EXIT CONFERENCE

The contents of this report were discussed on June 9, 2010, with Judith C. Hartsburg, Clerk-Treasurer; and Jerry Bowman, Town Council member. Our audit disclosed no material items that warrant comment at this time.