

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

EXAMINATION REPORT
OF
TOWN OF CARBON
CLAY COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
11/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane Fields	01-01-08 to 12-31-11
President of the Town Council	Josephine Rightsell	01-01-08 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the financial information presented herein of the Town of Carbon (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

August 12, 2010

TOWN OF CARBON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 14,163	\$ 28,089	\$ 23,593	\$ 18,659
Motor Vehicle Highway	34,884	10,574	8,060	37,398
Local Road and Street	16,891	2,016	791	18,116
Park and Recreation	8,623	-	2,832	5,791
Cumulative Capital Improvement	8,650	1,086	1,550	8,186
Cumulative Capital Development	21,340	1,171	-	22,511
Rainy Day	-	807	264	543
Levy Excess	198	-	-	198
Proprietary Funds:				
Water Utility - Operating	173,785	109,271	133,230	149,826
Water Utility - Bond and Interest	18,823	23,640	22,027	20,436
Water Utility - Reserve	13,965	804	-	14,769
Water Utility - Customer Deposit	18,965	1,000	340	19,625
Wastewater Utility - Operating	32,938	41,379	40,797	33,520
Wastewater Utility - Bond and Interest	15,190	6,840	11,200	10,830
Wastewater Utility - Depreciation	17,715	2,424	2,750	17,389
Wastewater Utility - Reserve	15,470	840	-	16,310
Wastewater Utility - Operation and Maintenance	5,055	3,000	4,269	3,786
Storm Water Utility - Operating	19,575	22,915	19,250	23,240
Storm Water Utility - Construction	49,432	546,816	247,563	348,685
Totals	\$ 485,662	\$ 802,672	\$ 518,516	\$ 769,818

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 18,659	\$ 24,842	\$ 24,111	\$ 19,390
Motor Vehicle Highway	37,398	11,084	16,910	31,572
Local Road and Street	18,116	1,912	736	19,292
Park and Recreation	5,791	5,000	2,175	8,616
Cumulative Capital Improvement	8,186	1,024	601	8,609
Cumulative Capital Development	22,511	802	-	23,313
Rainy Day	543	-	-	543
Levy Excess	198	-	198	-
Proprietary Funds:				
Water Utility - Operating	149,826	238,436	166,832	221,430
Water Utility - Bond and Interest	20,436	23,640	21,434	22,642
Water Utility - Reserve	14,769	804	-	15,573
Water Utility - Customer Deposit	19,625	650	500	19,775
Wastewater Utility - Operating	33,520	39,892	38,944	34,468
Wastewater Utility - Bond and Interest	10,830	6,840	5,745	11,925
Wastewater Utility - Depreciation	17,389	2,424	-	19,813
Wastewater Utility - Reserve	16,310	840	-	17,150
Wastewater Utility - Operation and Maintenance	3,786	3,000	2,280	4,506
Storm Water Utility - Operating	23,240	28,309	32,355	19,194
Storm Water Utility - Construction	348,685	90,219	417,319	21,585
Totals	\$ 769,818	\$ 479,718	\$ 730,140	\$ 519,396

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

TOWN OF CARBON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

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

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

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

Note 5. Deposits and Investments

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

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

TOWN OF CARBON
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

An Agreed Order between the Town of Carbon and the Indiana Department of Environmental Management (IDEM) was approved by the Town Council on June 7, 2010. The Carbon Wastewater Treatment Plant was cited for failing to comply with effluent limitations contained in their Permit, which is a violation of the Clean Water Act and IC 13, and is grounds for an enforcement action. The Town is currently pursuing a planning grant to develop a preliminary engineering report, and to develop a schedule to apply for and procure financing for treatment plant improvements through the Indiana Office of Community and Rural Affairs (IOCRA).

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

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Water Revenue Bonds of 2000	\$ 180,000	\$ 20,839
Wastewater Utility:		
Debt Service Revenue Bonds	72,900	5,375
Storm Water Utility:		
Storm Drain Construction Loan	<u>467,322</u>	<u>32,302</u>
Total business-type activities debt	<u>\$ 720,222</u>	<u>\$ 58,516</u>

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS (Town and Utilities)

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

- (1) Claims were not prepared for all disbursements. Three of the thirty-five claims tested could not be located.
- (2) Three of the thirty-five claims tested did not have board approval.
- (3) Five of the thirty-five claims tested did not have evidence to support receipt of goods or services.

IC 5-11-10-1.6 states in part:

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

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

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

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROL - CAPITAL ASSETS (Town and Utilities)

The Town does not maintain a capital asset register. An inventory of all capital assets owned has not been taken.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Water Utility)

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

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CARBON
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2010, with Diane Fields, Clerk-Treasurer; and Josephine Rightsell, President of the Town Council. The officials concurred with our findings.