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

EXAMINATION REPORT
OF
TOWN OF SHELburn
SULLIVAN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/06/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Noah Jay Southwood	01-01-08 to 12-31-11
President of the Town Council	James Ward	01-01-08 to 12-31-10
Superintendent of Water Utility	Rodney Clouse	01-01-08 to 12-31-10
Superintendent of Wastewater Utility	Gary Steele	01-01-08 to 12-31-10



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 SHELBURN, SULLIVAN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Shelburn (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 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 22, 2010

TOWN OF SHELburn
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, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 892	\$ 164,179	\$ 156,155	\$ 8,916
Motor Vehicle Highway	7,329	43,898	49,115	2,112
Local Road and Street	1,446	113,410	102,076	12,780
Ordinance Violations	44	-	-	44
Park and Recreation	698	3,881	4,165	414
Police Accident Report	96	5	-	101
Police Equipment Donation	22	-	-	22
Riverboat	-	7,954	7,954	-
Firearms Training	1,187	690	120	1,757
EDIT	-	52,389	35,960	16,429
Community Building	368	4,175	3,812	731
Continuing Education	173	-	-	173
Cumulative Capital Development	202	3,255	2,324	1,133
Cumulative Capital Improvement	-	4,124	1,957	2,167
Proprietary Funds:				
Water Utility - Operating	201,442	601,370	636,741	166,071
Water Utility - Depreciation	483	13,953	11,979	2,457
Water Utility - Bond and Interest	-	168,164	168,164	-
Water Utility - Customer Deposit	54,429	10,750	8,535	56,644
Water Utility - Debt Service Reserve	-	12,000	-	12,000
Wastewater Utility - Operating	64,814	276,676	290,529	50,961
Wastewater Utility - Depreciation	3,807	11,735	14,916	626
Wastewater Utility - Bond and Interest	-	46,648	46,648	-
Wastewater Utility - Sullivan Account	-	17,075	17,075	-
Storm Water Utility - Operating	563	114,499	102,640	12,422
Storm Water Utility - Bond and Interest	29,803	41,568	71,371	-
Storm Water Utility - Debt Service Reserve	3,604	8,650	-	12,254
Storm Water Utility - Construction	1,047	105,137	106,184	-
Storm Water Utility - Depreciation	720	3,713	2,948	1,485
Fiduciary Fund:				
Payroll Withholdings	7,117	218,377	223,851	1,643
Totals	<u>\$ 380,286</u>	<u>\$ 2,048,275</u>	<u>\$ 2,065,219</u>	<u>\$ 363,342</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 8,916	\$ 191,371	\$ 194,517	\$ 5,770
Motor Vehicle Highway	2,112	35,598	32,662	5,048
Local Road and Street	12,780	12,935	18,912	6,803
Ordinance Violations	44	-	-	44
Park and Recreation	414	520	150	784
Police Accident Report	101	10	-	111
Police Equipment Donation	22	-	-	22
Riverboat	-	7,935	7,935	-
Firearms Training	1,757	340	394	1,703
Fire House Insurance Claim	-	6,288	6,288	-
EDIT	16,429	63,339	56,964	22,804
Community Building	731	4,225	3,379	1,577
Continuing Education	173	-	-	173
Cumulative Capital Development	1,133	2,540	2,500	1,173
Cumulative Capital Improvement	2,167	3,888	4,057	1,998
Proprietary Funds:				
Water Utility - Operating	166,071	850,872	924,901	92,042
Water Utility - Depreciation	2,457	17,740	15,328	4,869
Water Utility - Bond and Interest	-	166,041	166,041	-
Water Utility - Customer Deposit	56,644	7,586	7,875	56,355
Water Utility - Debt Service Reserve	12,000	163,650	12,000	163,650
Wastewater Utility - Operating	50,961	309,855	271,746	89,070
Wastewater Utility - Depreciation	626	12,416	11,822	1,220
Wastewater Utility - Bond and Interest	-	46,846	46,846	-
Storm Water Utility - Operating	12,422	90,222	94,956	7,688
Storm Water Utility - Bond and Interest	-	41,422	16,211	25,211
Storm Water Utility - Debt Service Reserve	12,254	8,650	-	20,904
Storm Water Utility - Depreciation	1,485	4,143	4,703	925
Fiduciary Fund:				
Payroll Withholdings	1,643	255,399	254,960	2,082
Totals	<u>\$ 363,342</u>	<u>\$ 2,303,831</u>	<u>\$ 2,155,147</u>	<u>\$ 512,026</u>

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

TOWN OF SHELburn
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 SHELburn
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

In 2010, the Town of Shelburn approved a Wastewater System Improvement project for approximately \$4,849,000. The proposed funding will be a \$3,649,000 CDBG Disaster Recovery Appropriation #2 Grant and a \$1,200,000 loan from USDA Rural Development. The project consists of rehabilitation of five lift stations, the collection system and the wastewater treatment plant with construction expected to begin in 2011.

TOWN OF SHELburn
 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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 478,850
Transportation Equipment	157,792
Improvements other than buildings	11,492
Machinery and equipment	<u>163,341</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 811,475</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 27,000
Buildings	212,082
Transportation equipment	81,102
Machinery and equipment	303,590
Improvements other than buildings	<u>2,219,564</u>
 Total Water Utility capital assets	 <u>2,843,338</u>

Wastewater Utility:	
Capital assets, not being depreciated:	
Land	10,950
Buildings	632,430
Transportation equipment	12,972
Machinery and equipment	158,489
Sewer lines and plant	<u>2,493,229</u>
 Total Wastewater Utility capital assets	 <u>3,308,070</u>

Total business-type activities capital assets	<u>\$ 6,151,408</u>
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TOWN OF SHELburn
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2009

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Capital leases:		
2007 Case 580 Backhoe	\$ 17,267	\$ 7,780
Revenue bonds:		
2004 Street Improvements	50,000	12,375
2008 Street Improvements	83,000	12,599
General obligation bonds:		
2002 Community building addition	35,786	5,509
2004 Construction - fire department additional bays	20,530	2,209
	<u>206,583</u>	<u>40,472</u>
Total governmental activities debt	<u>\$ 206,583</u>	<u>\$ 40,472</u>
Business-type Activities:		
Water Utility:		
Capital leases:		
2005 Datamatic AMR System - digital meter reader	\$ 71,521	\$ 14,625
Revenue bonds:		
1994 Water Revenue Bonds - water plant construction	350,000	128,144
1998 Water Revenue Bonds - water tower purchase	97,074	32,299
	<u>518,595</u>	<u>175,068</u>
Total Water Utility	<u>518,595</u>	<u>175,068</u>
Wastewater Utility:		
Revenue bonds:		
1974 Wastewater Revenue Bonds - water plant construction	103,000	29,150
1997 Wastewater Revenue Bonds - wastewater lines	121,075	21,017
1999 Wastewater Revenue Bonds - water plant improvements	80,000	17,781
	<u>304,075</u>	<u>67,948</u>
Total Wastewater Utility	<u>304,075</u>	<u>67,948</u>
Stormwater Utility:		
Revenue bonds:		
2007 Stormwater Management District Revenue Bond - to construct stormwater system	777,000	41,237
	<u>777,000</u>	<u>41,237</u>
Total business-type activities debt	<u>\$ 1,806,253</u>	<u>\$ 284,253</u>

TOWN OF SHELburn
EXAMINATION RESULT AND COMMENT

CUSTOMER DEPOSIT REGISTER (Water Utility)

As stated in prior reports, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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 SHELBURN
EXIT CONFERENCE

The contents of this report were discussed on September 22, 2010, with Noah Jay Southwood, Clerk-Treasurer, and James Ward, President of the Town Council. The officials concurred with our finding.