

B38183

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

EXAMINATION REPORT  
OF  
TOWN BORDEN  
CLARK COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
01/03/2011



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
Notes to Financial Information .....	5
Supplementary Information:	
Schedule of Long-Term Debt .....	6
Examination Results and Comments:	
Annual Report.....	7
Bank Account Reconciliations .....	7
Motor Vehicle Highway Funds.....	7-8
Appropriations.....	8
Capital Asset Records .....	8
Moving Traffic Violations .....	9
Ordinances and Resolutions .....	9
Exit Conference.....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Mindi Holmes

01-01-08 to 12-31-11

President of the  
Town Council

Rudy L. Cook

01-01-08 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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF BORDEN, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Borden (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

October 27, 2010

TOWN OF BORDEN  
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	\$ 109,897	\$ 218,640	\$ 261,899	\$ 66,638
Motor Vehicle Highway	85,341	22,983	18,223	90,101
Local Road and Street	29,280	8,750	761	37,269
Law Enforcement Continuing Education	3,421	15	-	3,436
Cemetery Operating	28,309	2,322	5,285	25,346
Disaster Expense	267	-	-	267
Donations	409	38,559	16,041	22,927
Park Donation	1,257	3,163	1,596	2,824
Unsafe Building	9,046	-	2,636	6,410
Kids' Station	10,323	1,143	1,423	10,043
Vehicle Impoundment	2,798	-	700	2,098
Youth Coalition	1,390	700	2,079	11
Cumulative Capital Improvement	2,336	2,660	3,066	1,930
County Economic Development Income Tax (CEDIT)	38,360	14,637	-	52,997
Proprietary Funds:				
Wastewater Utility - Operating	7,793	233,604	230,054	11,343
Wastewater Utility - Bond and Interest	78,203	84,000	87,920	74,283
Wastewater Utility - Debt Service Reserve	84,519	-	-	84,519
Wastewater Utility - Improvement	13,356	6,000	3,000	16,356
Fiduciary Fund:				
Cemetery Trust	2,675	-	-	2,675
Totals	<u>\$ 508,980</u>	<u>\$ 637,176</u>	<u>\$ 634,683</u>	<u>\$ 511,473</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 66,638	\$ 389,387	\$ 266,239	\$ 189,786
Motor Vehicle Highway	90,101	22,552	42,737	69,916
Local Road and Street	37,269	8,508	5,875	39,902
Law Enforcement Continuing Education	3,436	-	1,767	1,669
Cemetery Operating	25,346	4,336	-	29,682
Disaster Expense	267	-	-	267
Donations	22,927	29,752	50,513	2,166
Park Donation	2,824	4,290	3,618	3,496
Rainy Day	-	8,487	-	8,487
Unsafe Building	6,410	-	-	6,410
Kids' Station	10,043	-	-	10,043
Vehicle Impoundment	2,098	-	-	2,098
Youth Coalition	11	-	-	11
Cumulative Capital Improvement	1,930	10,929	11,758	1,101
County Economic Development Income Tax (CEDIT)	52,997	17,143	-	70,140
Bond & Interest	-	9,601	18,552	(8,951)
INDOT Closure Grant	-	105,000	63,100	41,900
Proprietary Funds:				
Wastewater Utility - Operating	11,343	220,253	222,132	9,464
Wastewater Utility - Bond and Interest	74,283	84,000	82,010	76,273
Wastewater Utility - Debt Service Reserve	84,519	-	-	84,519
Wastewater Utility - Improvement	16,356	6,000	-	22,356
Fiduciary Fund:				
Cemetery Trust	2,675	-	-	2,675
Totals	<u>\$ 511,473</u>	<u>\$ 920,238</u>	<u>\$ 768,301</u>	<u>\$ 663,410</u>

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

TOWN BORDEN  
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, highways and streets, culture and recreation, sanitation, public improvements, general administrative services, and wastewater 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.

Note 6. Debt Refinancing

In February 2009, the Town issued a loan in the amount of \$38,000 which is due to mature on January 31, 2014. The loan proceeds were remitted directly the bank to pay off existing Town debt related to financing of the Town Hall. Financial activity related to the loan proceeds and related debt payment is not reflected in the financial schedule.

TOWN OF BORDEN  
 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
Governmental activities:		
Notes and loans payable	\$ 36,809	\$ 3,490
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
1976 Revenue Bonds	\$ 133,000	\$ 22,650
1999 Sewage Works SRF Bonds	600,000	57,400
Total Wastewater Utility	733,000	80,050
Total business-type activities debt	\$ 733,000	\$ 80,050

TOWN OF BORDEN  
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT (Applies to Clerk-Treasurer)

The 2009 City and Town Annual Report (CTAR) did not properly reflect all of the Town's financial activity. Financial activity for two funds was omitted from the CTAR, resulting in receipt transactions in the annual report being understated by \$114,602; disbursement transactions being understated by \$81,652; and the ending cash balance at December 31, 2009, being understated in the amount of \$32,949.

IC 5-11-1-4 states in part: "The state examiner shall require from every municipality . . . financial reports covering the full period of each fiscal year. These reports shall be prepared, verified and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner . . ."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK ACCOUNT RECONCILIATIONS (Applies to Clerk-Treasurer)

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for the Cemetery bank account and the Kids Station bank account.

A reconciliation performed of the depository account balance to the record balance for the Cemetery bank account showed the bank account balance had \$300 less than the record balance at December 31, 2009.

IC 5-13-6-1(e) states: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

At all times, the manual and/or 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)

A similar comment was reported in the prior Report B33762.

MOTOR VEHICLE HIGHWAY FUNDS (Applies to Town Council)

The Motor Vehicle Highway funds were used for purposes not allowed by statute. During the year 2008, expenditures in the amount of \$5,000 were made from the Motor Vehicle Highway Fund for the construction costs of a maintenance building. During the year 2009, funds in the amount of \$22,700, were used to pay costs associated with the resurfacing of a walking path at the park.

TOWN OF BORDEN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 8-14-1-5 (a) states in part:

"All funds allocated to cities and towns from the motor vehicle highway account shall be used by the cities and towns for the construction, reconstruction, repair, maintenance, oiling, sprinkling, snow removal, weed and tree cutting and clearing of their highways as herein defined, and including also any curbs, and the city's or town's share of the cost of the separation of grades of crossing of public highways and railroads, the purchase or lease of highway construction and maintenance equipment, the purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices; and the painting of structures, objects, surfaces in highways for purposes of safety and traffic regulation. . . ."

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Clerk-Treasurer)

The records presented for examination indicated expenditures for the year 2009 from the Cumulative Capital Improvement Fund exceeded budgeted appropriations in the amount of \$9,720.

IC 6-1.1-18-4 stated in part: ". . . the proper officers of the political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

IC 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

A similar comment was reported in the prior Report B33762.

CAPTIAL ASSET RECORDS (Applies to Town Council and Clerk-Treasurer)

The Town has not adopted a formal capital asset policy establishing the dollar amounts as to when assets should be capitalized.

The capital assets records presented for examination had not been updated to reflect asset purchases or disposals since the year 2003. In addition, not all assets listed reflect the cost of the item or the estimate historical cost.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines for Cities and Towns, Chapter 7)

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)

TOWN OF BORDEN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

MOVING TRAFFIC VIOLATIONS (Applies to Town Council; Clerk-Treasurer; and Town Marshall)

Local ordinance citations were issued by the Town Marshall for offenses related to moving traffic violations. These citations were processed through the Town's local ordinance violation bureau instead of the circuit court. No court costs were charged related to the violation.

IC 36-1-6-3(c) states: "An ordinance defining a moving traffic violation may not be enforced under IC 33-36 and must be enforced in accordance with IC 34-28-5."

IC 34-28-5-1(b) states in part: "An action to enforce a statute defining an infraction shall be brought in the name of the state of Indiana by the prosecuting attorney for the judicial circuit which the infraction allegedly took place. . . ."

ORDINANCES AND RESOLUTIONS (Applies to Wastewater Utility)

The Wastewater Utility issued revenue bonds in the years 1976 and 1999. Ordinance No. 76-1 and Ordinance No. 99-08-03 require the Utility to maintain a minimum balances of cash and investments in the Bond and Interest Fund and in the Debt Service Reserve Fund. The following is a comparison of the minimum balances required and actual cash and investment balances in these funds as of December 31, 2009:

<u>Fund</u>	<u>Minimum Balance Required</u>	<u>Actual Balance</u>	<u>Variance</u>
Bond and Interest	\$ 53,367	\$ 76,273	\$ 22,906
Debt Service Reserve	<u>105,470</u>	<u>84,519</u>	<u>(20,951)</u>
Totals	<u>\$ 158,837</u>	<u>\$ 160,792</u>	<u>\$ 1,955</u>

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was reported in the prior Report B33762.

TOWN BORDEN  
EXIT CONFERENCE

The contents of this report were discussed on October 27, 2010, with Rudy L. Cook, President of the Town Council, and Mindi Holmes, Clerk-Treasurer.