

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

EXAMINATION REPORT  
OF  
TOWN OF NORTH SALEM  
HENDRICKS COUNTY, INDIANA  
January 1, 2009 to December 31, 2010



**FILED**  
09/22/2011



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Cheryl Russell  
Beth Russell

01-01-07 to 12-31-10  
01-01-11 to 12-31-14

President of the Town Council

Michael Selch

01-01-09 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NORTH SALEM, HENDRICKS COUNTY, INDIANA

We have examined the financial statements of the Town of North Salem (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis noted above is a different basis than that used in the prior year.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, and the Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them. Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances-Regulatory Basis were not presented for the year ended December 31, 2009.

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

August 25, 2011

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FINANCIAL STATEMENTS

TOWN OF NORTH SALEM  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2009

|                                           | Cash and<br>Investments<br>01-01-09 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-09 |
|-------------------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| General Fund                              | \$ 28,550                           | \$ 228,939        | \$ 184,937        | \$ 72,552                           |
| Town of North Salem                       | 100                                 | -                 | -                 | 100                                 |
| Motor Vehicle Highway                     | 38,036                              | 34,781            | 42,742            | 30,075                              |
| Local Road and Street                     | 54,294                              | 8,491             | 37,100            | 25,685                              |
| Law Enforcement Continuing Education      | 8,816                               | 825               | 9                 | 9,632                               |
| CEDIT                                     | 10,277                              | 22,621            | 9,281             | 23,617                              |
| North Salem 175                           | 443                                 | 5,063             | 3,590             | 1,916                               |
| Fire Station                              | 4                                   | -                 | 4                 | -                                   |
| Trash Fund                                | 8,374                               | 16,763            | 14,725            | 10,412                              |
| Cumulative Capital Improvement            | 1,147                               | 1,812             | -                 | 2,959                               |
| Payroll                                   | 5,651                               | 234,225           | 237,246           | 2,630                               |
| Wastewater Utility - Operating            | (8,189)                             | 137,666           | 132,828           | (3,351)                             |
| Wastewater Utility - Bond and Interest    | 150                                 | 10                | 9                 | 151                                 |
| Wastewater Utility - Depreciation         | 19,004                              | -                 | 11,358            | 7,646                               |
| Wastewater Utility - Debt Service Reserve | 722                                 | -                 | 722               | -                                   |
| Water Utility - Operating                 | (12,816)                            | 110,448           | 95,581            | 2,051                               |
| Water Utility - Bond and Interest         | 150                                 | 10                | 9                 | 151                                 |
| Water Utility - Depreciation              | 12,822                              | -                 | -                 | 12,822                              |
| Water Utility - Customer Deposit          | 14,835                              | 1,650             | 3,185             | 13,300                              |
| Water Utility - Debt Service              | 1,000                               | -                 | -                 | 1,000                               |
| Water Utility - DNR Escrow                | 45                                  | 1                 | -                 | 46                                  |
| Totals                                    | <u>\$ 183,415</u>                   | <u>\$ 803,305</u> | <u>\$ 773,326</u> | <u>\$ 213,394</u>                   |

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

TOWN OF NORTH SALEM  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

|                                        | Cash and<br>Investments<br>01-01-10 | Receipts          | Disbursements     | Cash and<br>Investments<br>12-31-10 |
|----------------------------------------|-------------------------------------|-------------------|-------------------|-------------------------------------|
| General Fund                           | \$ 72,552                           | \$ 183,980        | \$ 177,141        | \$ 79,391                           |
| Town of North Salem                    | 100                                 | -                 | -                 | 100                                 |
| Motor Vehicle Highway                  | 30,075                              | 43,285            | 59,459            | 13,901                              |
| Local Road and Street                  | 25,685                              | 9,188             | 18,159            | 16,714                              |
| Law Enforcement Continuing Education   | 9,632                               | 441               | 6,665             | 3,408                               |
| CEDIT                                  | 23,617                              | 21,269            | -                 | 44,886                              |
| North Salem 175                        | 1,916                               | 9,242             | 11,158            | -                                   |
| Trash Fund                             | 10,412                              | 17,109            | 14,998            | 12,523                              |
| Cumulative Capital Improvement         | 2,959                               | 1,731             | -                 | 4,690                               |
| Payroll                                | 2,630                               | 243,822           | 240,492           | 5,960                               |
| Wastewater Utility - Operating         | (3,351)                             | 132,648           | 128,185           | 1,112                               |
| Wastewater Utility - Bond and Interest | 151                                 | 10                | -                 | 161                                 |
| Wastewater Utility - Depreciation      | 7,646                               | -                 | -                 | 7,646                               |
| Water Utility - Operating              | 2,051                               | 103,362           | 103,173           | 2,240                               |
| Water Utility - Bond and Interest      | 151                                 | 10                | -                 | 161                                 |
| Water Utility - Depreciation           | 12,822                              | 100               | -                 | 12,922                              |
| Water Utility - Customer Deposit       | 13,300                              | 4,385             | 746               | 16,939                              |
| Water Utility - Debt Service           | 1,000                               | -                 | -                 | 1,000                               |
| Water Utility - DNR Escrow             | 46                                  | -                 | 46                | -                                   |
| Totals                                 | <u>\$ 213,394</u>                   | <u>\$ 770,582</u> | <u>\$ 760,222</u> | <u>\$ 223,754</u>                   |

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

TOWN OF NORTH SALEM  
NOTES TO FINANCIAL STATEMENTS

Note 1. 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 all of the following services: public safety (police and fire), highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and trash.

The accompanying financial statements present the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), 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 regulatory 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.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes, which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax county adjusted gross income tax, and other taxes that are set by the Town.

Special assessments which include amounts levied against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

License and permits which includes amounts received from businesses, occupations, or non-businesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the

TOWN OF NORTH SALEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

permit. Examples of license and permits include: peddler licenses; dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits; and gun permits.

Intergovernmental receipts which includes receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts includes, but is not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records; copy machine charges; accident report copies, gun permit applications, 911 telephone services; recycling fees, dog pound fees; emergency medical service fees, park rental fees; swimming pool receipts; cable tv receipts; ordinance violations; fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits help as performance guarantees (forfeitures).

Net proceeds from borrowings which includes receipts from general obligation bonds, notes and loans.

Intergovernmental loan activity which includes amounts received from other funds as loans on a temporary basis.

Transfers in which includes funds authorized by statute, ordinance, resolution or court order to be transferred in from another fund.

Utility receipts which are comprised mostly of charges for current services.

Internal service receipts which are comprised mostly of fees received for services performed for other funds.

Fiduciary receipts which are comprised mostly of contributions to the pensions funds from state and local sources.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services which includes outflows for salaries, wages and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

TOWN OF NORTH SALEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Supplies which includes articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which includes, but is not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance; and rental charges.

Debt service principle and interest which includes fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

Capital outlay which includes all outflows for land, infrastructure, buildings, improvements, machinery and equipment having an appreciable and calculable period of usefulness.

Interfund loan payments and loans made which includes amounts that are owed to a particular fund by another fund.

Transfers out which includes funds authorized by statute, ordinance, resolution or court order to be transferred to another fund.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

TOWN OF NORTH SALEM  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 normally become delinquent if not paid by May 10 and November 10, respectively.

Note 4. Deposits and Investments

Deposits, made in accordance with state statute (IC 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 5. Risk Management

The Town may be 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, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

Note 6. Pension Plan

The Town contributes to a Simple IRA, which is a pension plan unique to the Town. Information regarding this plan may be obtained from the Town.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Reports can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

TOWN OF NORTH SALEM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010

|                                                    | General<br>Fund  | Town<br>of<br>North<br>Salem | Motor<br>Vehicle<br>Highway | Local<br>Road<br>and<br>Street | Law<br>Enforcement<br>Continuing<br>Education |
|----------------------------------------------------|------------------|------------------------------|-----------------------------|--------------------------------|-----------------------------------------------|
| Cash and investments - beginning                   | \$ 72,552        | \$ 100                       | \$ 30,075                   | \$ 25,685                      | \$ 9,632                                      |
| Receipts:                                          |                  |                              |                             |                                |                                               |
| Taxes                                              | 92,962           | -                            | 13,539                      | -                              | -                                             |
| Licenses and permits                               | -                | -                            | -                           | -                              | 340                                           |
| Intergovernmental                                  | 78,901           | -                            | 29,746                      | 9,188                          | -                                             |
| Charges for services                               | -                | -                            | -                           | -                              | -                                             |
| Fines and forfeits                                 | -                | -                            | -                           | -                              | 101                                           |
| Utility fees                                       | -                | -                            | -                           | -                              | -                                             |
| Other receipts                                     | 12,117           | -                            | -                           | -                              | -                                             |
| Total receipts                                     | <u>183,980</u>   | <u>-</u>                     | <u>43,285</u>               | <u>9,188</u>                   | <u>441</u>                                    |
| Disbursements:                                     |                  |                              |                             |                                |                                               |
| Personal services                                  | 120,706          | -                            | 35,846                      | -                              | -                                             |
| Supplies                                           | 4,264            | -                            | 3,076                       | 1,869                          | 3,286                                         |
| Other services and charges                         | 52,171           | -                            | 5,437                       | 440                            | 3,379                                         |
| Debt service - principal and interest              | -                | -                            | -                           | -                              | -                                             |
| Capital outlay                                     | -                | -                            | 15,100                      | 15,850                         | -                                             |
| Utility operating expenses                         | -                | -                            | -                           | -                              | -                                             |
| Other disbursements                                | -                | -                            | -                           | -                              | -                                             |
| Total disbursements                                | <u>177,141</u>   | <u>-</u>                     | <u>59,459</u>               | <u>18,159</u>                  | <u>6,665</u>                                  |
| Excess (deficiency) of receipts over disbursements | <u>6,839</u>     | <u>-</u>                     | <u>(16,174)</u>             | <u>(8,971)</u>                 | <u>(6,224)</u>                                |
| Cash and investments - ending                      | <u>\$ 79,391</u> | <u>\$ 100</u>                | <u>\$ 13,901</u>            | <u>\$ 16,714</u>               | <u>\$ 3,408</u>                               |

TOWN OF NORTH SALEM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

|                                                    | CREDIT           | North<br>Salem<br>175 | Trash<br>Fund    | Cumulative<br>Capital<br>Improvement | Payroll         |
|----------------------------------------------------|------------------|-----------------------|------------------|--------------------------------------|-----------------|
| Cash and investments - beginning                   | \$ 23,617        | \$ 1,916              | \$ 10,412        | \$ 2,959                             | \$ 2,630        |
| Receipts:                                          |                  |                       |                  |                                      |                 |
| Taxes                                              | -                | -                     | -                | -                                    | -               |
| Licenses and permits                               | -                | -                     | -                | -                                    | -               |
| Intergovernmental                                  | 21,269           | -                     | -                | 1,731                                | -               |
| Charges for services                               | -                | -                     | 17,109           | -                                    | -               |
| Fines and forfeits                                 | -                | -                     | -                | -                                    | -               |
| Utility fees                                       | -                | -                     | -                | -                                    | -               |
| Other receipts                                     | -                | 9,242                 | -                | -                                    | 243,822         |
| Total receipts                                     | <u>21,269</u>    | <u>9,242</u>          | <u>17,109</u>    | <u>1,731</u>                         | <u>243,822</u>  |
| Disbursements:                                     |                  |                       |                  |                                      |                 |
| Personal services                                  | -                | -                     | -                | -                                    | -               |
| Supplies                                           | -                | -                     | -                | -                                    | -               |
| Other services and charges                         | -                | -                     | 14,998           | -                                    | -               |
| Debt service - principal and interest              | -                | -                     | -                | -                                    | -               |
| Capital outlay                                     | -                | -                     | -                | -                                    | -               |
| Utility operating expenses                         | -                | -                     | -                | -                                    | -               |
| Other disbursements                                | -                | 11,158                | -                | -                                    | 240,492         |
| Total disbursements                                | <u>-</u>         | <u>11,158</u>         | <u>14,998</u>    | <u>-</u>                             | <u>240,492</u>  |
| Excess (deficiency) of receipts over disbursements | <u>21,269</u>    | <u>(1,916)</u>        | <u>2,111</u>     | <u>1,731</u>                         | <u>3,330</u>    |
| Cash and investments - ending                      | <u>\$ 44,886</u> | <u>\$ -</u>           | <u>\$ 12,523</u> | <u>\$ 4,690</u>                      | <u>\$ 5,960</u> |

TOWN OF NORTH SALEM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

|                                                    | Wastewater<br>Utility<br>-<br>Operating | Wastewater<br>Utility<br>-<br>Bond<br>and Interest | Wastewater<br>Utility<br>-<br>Depreciation | Water<br>Utility<br>-<br>Operating | Water<br>Utility<br>-<br>Bond<br>and Interest |
|----------------------------------------------------|-----------------------------------------|----------------------------------------------------|--------------------------------------------|------------------------------------|-----------------------------------------------|
| Cash and investments - beginning                   | \$ (3,351)                              | \$ 151                                             | \$ 7,646                                   | \$ 2,051                           | \$ 151                                        |
| Receipts:                                          |                                         |                                                    |                                            |                                    |                                               |
| Taxes                                              | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Licenses and permits                               | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Intergovernmental                                  | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Charges for services                               | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Fines and forfeits                                 | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Utility fees                                       | 132,648                                 | -                                                  | -                                          | 102,708                            | -                                             |
| Other receipts                                     | -                                       | 10                                                 | -                                          | 654                                | 10                                            |
| Total receipts                                     | <u>132,648</u>                          | <u>10</u>                                          | <u>-</u>                                   | <u>103,362</u>                     | <u>10</u>                                     |
| Disbursements:                                     |                                         |                                                    |                                            |                                    |                                               |
| Personal services                                  | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Supplies                                           | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Other services and charges                         | -                                       | -                                                  | -                                          | -                                  | -                                             |
| Debt service - principal and interest              | 23,500                                  | -                                                  | -                                          | 15,455                             | -                                             |
| Capital outlay                                     | 3,540                                   | -                                                  | -                                          | 3,143                              | -                                             |
| Utility operating expenses                         | 93,798                                  | -                                                  | -                                          | 71,138                             | -                                             |
| Other disbursements                                | 7,347                                   | -                                                  | -                                          | 13,437                             | -                                             |
| Total disbursements                                | <u>128,185</u>                          | <u>-</u>                                           | <u>-</u>                                   | <u>103,173</u>                     | <u>-</u>                                      |
| Excess (deficiency) of receipts over disbursements | <u>4,463</u>                            | <u>10</u>                                          | <u>-</u>                                   | <u>189</u>                         | <u>10</u>                                     |
| Cash and investments - ending                      | <u>\$ 1,112</u>                         | <u>\$ 161</u>                                      | <u>\$ 7,646</u>                            | <u>\$ 2,240</u>                    | <u>\$ 161</u>                                 |

TOWN OF NORTH SALEM  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

|                                                    | Water<br>Utility<br>-<br>Depreciation | Water<br>Utility<br>-<br>Customer<br>Deposit | Water<br>Utility<br>-<br>Debt<br>Service | Water<br>Utility<br>-<br>Utility - DNR<br>Escrow | Totals     |
|----------------------------------------------------|---------------------------------------|----------------------------------------------|------------------------------------------|--------------------------------------------------|------------|
| Cash and investments - beginning                   | \$ 12,822                             | \$ 13,300                                    | \$ 1,000                                 | \$ 46                                            | \$ 213,394 |
| Receipts:                                          |                                       |                                              |                                          |                                                  |            |
| Taxes                                              | -                                     | -                                            | -                                        | -                                                | 106,501    |
| Licenses and permits                               | -                                     | -                                            | -                                        | -                                                | 340        |
| Intergovernmental                                  | -                                     | -                                            | -                                        | -                                                | 140,835    |
| Charges for services                               | -                                     | -                                            | -                                        | -                                                | 17,109     |
| Fines and forfeits                                 | -                                     | -                                            | -                                        | -                                                | 101        |
| Utility fees                                       | -                                     | -                                            | -                                        | -                                                | 235,356    |
| Other receipts                                     | 100                                   | 4,385                                        | -                                        | -                                                | 270,340    |
| Total receipts                                     | 100                                   | 4,385                                        | -                                        | -                                                | 770,582    |
| Disbursements:                                     |                                       |                                              |                                          |                                                  |            |
| Personal services                                  | -                                     | -                                            | -                                        | -                                                | 156,552    |
| Supplies                                           | -                                     | -                                            | -                                        | -                                                | 12,495     |
| Other services and charges                         | -                                     | -                                            | -                                        | -                                                | 76,425     |
| Debt service - principal and interest              | -                                     | -                                            | -                                        | -                                                | 38,955     |
| Capital outlay                                     | -                                     | -                                            | -                                        | -                                                | 37,633     |
| Utility operating expenses                         | -                                     | -                                            | -                                        | -                                                | 164,936    |
| Other disbursements                                | -                                     | 746                                          | -                                        | 46                                               | 273,226    |
| Total disbursements                                | -                                     | 746                                          | -                                        | 46                                               | 760,222    |
| Excess (deficiency) of receipts over disbursements | 100                                   | 3,639                                        | -                                        | (46)                                             | 10,360     |
| Cash and investments - ending                      | \$ 12,922                             | \$ 16,939                                    | \$ 1,000                                 | \$ -                                             | \$ 223,754 |

TOWN OF NORTH SALEM  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2010

The Town has entered into the following debt:

| Description of Debt          | Ending<br>Principal<br>Balance | Principal and<br>Interest Due<br>Within One<br>Year |
|------------------------------|--------------------------------|-----------------------------------------------------|
| Town debt:                   |                                |                                                     |
| Notes and loans payable      | \$ 18,466                      | \$ 5,160                                            |
| Total Town debt              | <u>\$ 18,466</u>               | <u>\$ 5,160</u>                                     |
| Utility debt:                |                                |                                                     |
| Water Utility:               |                                |                                                     |
| Loans:                       |                                |                                                     |
| Flood Control Revolving Loan | \$ 1,550                       | \$ 1,628                                            |
| Revenue bonds:               |                                |                                                     |
| Waterworks Improvements      | <u>106,000</u>                 | <u>14,800</u>                                       |
| Total Water Utility          | <u>107,550</u>                 | <u>16,428</u>                                       |
| Wastewater Utility:          |                                |                                                     |
| Revenue bonds:               |                                |                                                     |
| Wastewater Improvements      | <u>197,000</u>                 | <u>23,850</u>                                       |
| Total Wastewater Utility     | <u>197,000</u>                 | <u>23,850</u>                                       |
| Total Utility debt           | <u>\$ 304,550</u>              | <u>\$ 40,278</u>                                    |

TOWN OF NORTH SALEM  
EXAMINATION RESULTS AND COMMENTS

**ANNUAL REPORT**

The 2009 Annual Report was not submitted in the proper electronic format.

Indiana Code 5-11-1-4(a) concerning Financial reports; approval of budget or supplemental appropriation states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality 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 that is compatible with the technology employed by the political subdivision."

**PAYROLL DEDUCTIONS**

During the review of 2010 payroll activity, we identified that the unit was not calculating the Social Security and Medicare taxes properly for three employees. The Clerk-Treasurer calculated the tax amount based on the gross salary, less the employee's retirement deduction. This retirement deduction should not have been deducted from the gross salary prior to calculating the Social Security and Medicare tax amounts. The retirement amount should have been deducted only for the federal tax calculation. The calculation of taxes owed to the Internal Revenue Service was accurate on the Town's Quarterly 941 tax forms because the Clerk-Treasurer used the total wages. Therefore, total payments made to the Internal Revenue Service during 2010 were accurate in total; however, the amount withheld from the employees' payroll was not sufficient to cover the employees' share of the tax; therefore, the Town overpaid their portion of the Social Security and Medicare taxes. The total underpayment by the employees equaled \$267.36.

The Social Security and Medicare taxes were also calculated incorrectly in 2011. In addition to the 2010 issue that carried forward into 2011, we discovered that during 2011, the Clerk-Treasurer was deducting 6.2% of Social Security taxes from the employee's gross salary instead of 4.2%, which was the federal approved rate for 2011. This caused an overpayment of employee Social Security tax for the first 7 months of 2011, which in turn also caused an overpayment to the Internal Revenue Service on the unit's Quarterly 941 tax form. The total overpayment made on the employees behalf in 2011 was \$1,259.75.

Prior to the completion of the examination, the Town had already taken the appropriate steps to correct these errors.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NORTH SALEM  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***PENALTIES, INTEREST, AND OTHER CHARGES***

Penalties and interest totaling \$427.30 were paid to the Indiana Department of Revenue for late payments of Water Utility Sales Tax and Water Utility Receipts Tax. Additionally, \$125 in overdraft fees were paid to North Salem State Bank for overdraft of the Town's Payroll Fund Account.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***CUSTOMER DEPOSIT REGISTER***

As similarly state in prior Report B35448, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The balance reported in the Town's ledger indicates a balance \$3,194 greater than the detail provided.

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)

***PUBLIC RECORDS RETENTION***

The handgun license applications completed by the North Salem Police Department were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF NORTH SALEM  
EXIT CONFERENCE

The contents of this report were discussed on August 25, 2011, with Cheryl Russell, prior Clerk-Treasurer; Beth Russell, Clerk-Treasurer; and Michael Selch, President of the Town Council. The officials concurred with our findings.