

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

FINANCIAL STATEMENT AND
FEDERAL SINGLE AUDIT REPORT
OF

TOWN OF SANDBORN
KNOX COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
06/05/2012

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Judith C. Hartsburg	03-04-09 to 12-31-15
President of the Town Council	Russell F. Walls, Jr. (Vacant) Ralph Heshelman	01-01-10 to 07-22-10 07-23-10 to 08-02-10 08-03-10 to 12-31-12
Superintendent of Water Utility	Herbert Hastings Clifford L. Pemberton, Jr.	01-01-10 to 06-30-10 07-01-10 to 12-31-12
Superintendent of Wastewater Utility	Clifford L. Pemberton, Jr.	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Town of Sandborn (Town), for the years ended December 31, 2010 and 2011. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 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 of accounting 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, 2010 and 2011, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated May 16, 2012, on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

INDEPENDENT AUDITOR'S REPORT
(Continued)

Our audit was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Payables and Receivables, Schedule of Leases and Debt, and Schedule of Capital Assets are presented for additional analysis and are not required parts of the financial statements. They have not been subjected to the auditing procedures applied by us in the audit of the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 16, 2012



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

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

We have audited the financial statements of the Town of Sandborn (Town), for the years ended December 31, 2010 and 2011, and have issued our report thereon dated May 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 16, 2012

FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

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

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 26,371	\$ 618,003	\$ 615,276	\$ 29,098
Motor Vehicle Highway	15,859	31,425	16,030	31,254
Local Road And Street	14,705	2,980	1,342	16,343
Park Nonreverting Operating	3,435	1,074	645	3,864
Citizens Patrol	787	-	-	787
Stormwater Drainage Grant	81	801,573	801,573	81
Parks And Recreation	13,357	7,743	7,709	13,391
Community Building/Center	1,050	7,852	6,102	2,800
Rainy Day	4,469	1,386	-	5,855
Cumulative Capital Improvement Cigarette Tax	3,199	1,321	947	3,573
Cedit Capital Projects	19,091	4,551	6,130	17,512
Payroll	1,865	67,415	67,376	1,904
Wastewater Utility-Operating	5,685	142,458	141,484	6,659
Wastewater Utility-Bond And Interest	76,164	84,660	81,870	78,954
Wastewater Utility- Depreciation Improvement	8,712	5,808	-	14,520
Wastewater Utility-Customer Deposit	1,850	1,950	700	3,100
Wastewater Utility New Debt Service	90,082	4,233	-	94,315
Wastewater Utility-Operation And Maintenance	10,000	1,000	-	11,000
Water Utility-Operating	7,324	387,528	385,799	9,053
Water Utility-Customer Deposit	3,690	800	750	3,740
Totals	<u>\$ 307,776</u>	<u>\$ 2,173,760</u>	<u>\$ 2,133,733</u>	<u>\$ 347,803</u>

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

TOWN OF SANDBORN
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 29,098	\$ 235,224	\$ 226,161	\$ 38,161
Motor Vehicle Highway	31,254	20,351	17,103	34,502
Local Road And Street	16,343	2,258	1,488	17,113
Park Nonreverting Operating	3,864	560	619	3,805
Citizens Patrol	787	-	787	-
Parks And Recreation	13,391	9,149	10,180	12,360
Rainy Day	5,855	787	-	6,642
Cumulative Capital Improvement Cigarette Tax	3,573	1,295	151	4,717
Cedit Capital Projects	17,512	4,255	4,786	16,981
Community Building/Center	2,800	12,656	5,643	9,813
Payroll	1,904	70,187	70,155	1,936
Wastewater Utility-Operating	6,659	223,999	223,506	7,152
Wastewater Utility-Bond And Interest	78,954	83,820	82,066	80,708
Wastewater Utility-Depreciation/Improvement	14,520	5,808	-	20,328
Wastewater Utility-Customer Deposit	3,100	1,200	600	3,700
Wastewater Utility New Debt Service	94,315	5,843	4,584	95,574
Wastewater Utility-Operation And Maintenance	11,000	-	-	11,000
Water Utility-Operating	9,053	100,663	85,023	24,693
Water Utility-Customer Deposit	3,740	600	300	4,040
Stormwater Drainage Grant	81	176,406	176,406	81
Totals	<u>\$ 347,803</u>	<u>\$ 955,061</u>	<u>\$ 909,558</u>	<u>\$ 393,306</u>

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

TOWN OF SANDBORN
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 some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

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.

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are 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.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

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 include 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.

Supplies which include 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 include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include 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 include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

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.

TOWN OF SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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.

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 percent 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 should be 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 statutes authorize 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 SANDBORN
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 any replacement items purchased.

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SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the audit. This is a common occurrence in any financial statement audit. The financial information presented in this report is audited information, and the accuracy of such information can be determined by reading the opinion given in the Independent Auditor's Report.

The supplementary information presented was approved by management of the Town. It is presented as intended by the Town.

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

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Citizens Patrol	Stormwater Drainage Grant	Parks And Recreation
Cash and investments - beginning	\$ 26,371	\$ 15,859	\$ 14,705	\$ 3,435	\$ 787	\$ 81	\$ 13,357
Receipts:							
Taxes	31,310	11,988	-	-	-	-	7,003
Intergovernmental	13,934	12,828	2,980	-	-	801,573	607
Charges for services	-	1,913	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	572,759	4,696	-	1,074	-	-	133
Total receipts	<u>618,003</u>	<u>31,425</u>	<u>2,980</u>	<u>1,074</u>	<u>-</u>	<u>801,573</u>	<u>7,743</u>
Disbursements:							
Personal services	21,037	5,034	-	-	-	-	2,512
Supplies	1,994	3,412	-	93	-	-	1,787
Other services and charges	20,524	1,376	-	552	-	-	3,410
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	6,208	1,342	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	571,721	-	-	-	-	801,573	-
Total disbursements	<u>615,276</u>	<u>16,030</u>	<u>1,342</u>	<u>645</u>	<u>-</u>	<u>801,573</u>	<u>7,709</u>
Excess (deficiency) of receipts over disbursements	<u>2,727</u>	<u>15,395</u>	<u>1,638</u>	<u>429</u>	<u>-</u>	<u>-</u>	<u>34</u>
Cash and investments - ending	<u>\$ 29,098</u>	<u>\$ 31,254</u>	<u>\$ 16,343</u>	<u>\$ 3,864</u>	<u>\$ 787</u>	<u>\$ 81</u>	<u>\$ 13,391</u>

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

	Community Building/Center	Rainy Day	Cumulative Capital Improvement Cigarette Tax	Cedit Capital Projects	Payroll	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest
Cash and investments - beginning	\$ 1,050	\$ 4,469	\$ 3,199	\$ 19,091	\$ 1,865	\$ 5,685	\$ 76,164
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	-	1,386	1,321	4,051	-	-	-
Charges for services	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	138,720	-
Penalties	-	-	-	-	-	2,926	-
Other receipts	7,852	-	-	500	67,415	812	84,660
Total receipts	<u>7,852</u>	<u>1,386</u>	<u>1,321</u>	<u>4,551</u>	<u>67,415</u>	<u>142,458</u>	<u>84,660</u>
Disbursements:							
Personal services	2,699	-	-	-	-	-	-
Supplies	396	-	947	-	-	-	-
Other services and charges	1,257	-	-	6,130	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	49,127	-
Other disbursements	1,750	-	-	-	67,376	92,357	81,870
Total disbursements	<u>6,102</u>	<u>-</u>	<u>947</u>	<u>6,130</u>	<u>67,376</u>	<u>141,484</u>	<u>81,870</u>
Excess (deficiency) of receipts over disbursements	<u>1,750</u>	<u>1,386</u>	<u>374</u>	<u>(1,579)</u>	<u>39</u>	<u>974</u>	<u>2,790</u>
Cash and investments - ending	<u>\$ 2,800</u>	<u>\$ 5,855</u>	<u>\$ 3,573</u>	<u>\$ 17,512</u>	<u>\$ 1,904</u>	<u>\$ 6,659</u>	<u>\$ 78,954</u>

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

	Wastewater Utility- Depreciation Improvement	Wastewater Utility-Customer Deposit	Wastewater New Debt Service	Wastewater Utility-Operation And Maintenance	Water Utility-Operating	Water Utility-Customer Deposit	Totals
Cash and investments - beginning	\$ 8,712	\$ 1,850	\$ 90,082	\$ 10,000	\$ 7,324	\$ 3,690	\$ 307,776
Receipts:							
Taxes	-	-	-	-	-	-	50,301
Intergovernmental	-	-	-	-	30,000	-	868,680
Charges for services	-	-	-	-	-	-	1,913
Utility fees	-	-	-	-	84,359	-	223,079
Penalties	-	-	-	-	1,470	-	4,396
Other receipts	5,808	1,950	4,233	1,000	271,699	800	1,025,391
Total receipts	5,808	1,950	4,233	1,000	387,528	800	2,173,760
Disbursements:							
Personal services	-	-	-	-	-	-	31,282
Supplies	-	-	-	-	-	-	8,629
Other services and charges	-	-	-	-	-	-	33,249
Debt service - principal and interest	-	-	-	-	25,138	-	25,138
Capital outlay	-	-	-	-	-	-	7,550
Utility operating expenses	-	700	-	-	49,725	750	100,302
Other disbursements	-	-	-	-	310,936	-	1,927,583
Total disbursements	-	700	-	-	385,799	750	2,133,733
Excess (deficiency) of receipts over disbursements	5,808	1,250	4,233	1,000	1,729	50	40,027
Cash and investments - ending	\$ 14,520	\$ 3,100	\$ 94,315	\$ 11,000	\$ 9,053	\$ 3,740	\$ 347,803

TOWN OF SANDBORN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Local Road And Street	Park Nonreverting Operating	Citizens Patrol	Parks And Recreation	Rainy Day
Cash and investments - beginning	\$ 29,098	\$ 31,254	\$ 16,343	\$ 3,864	\$ 787	\$ 13,391	\$ 5,855
Receipts:							
Taxes	35,205	7,125	2,258	-	-	7,680	-
Intergovernmental	17,630	12,142	-	-	-	1,404	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	1,045	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	182,389	39	-	560	-	65	787
Total receipts	<u>235,224</u>	<u>20,351</u>	<u>2,258</u>	<u>560</u>	<u>-</u>	<u>9,149</u>	<u>787</u>
Disbursements:							
Personal services	24,173	5,764	-	-	-	1,530	-
Supplies	1,081	1,158	-	63	-	1,446	-
Other services and charges	4,456	10,181	267	556	787	3,831	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	14,129	-	1,221	-	-	3,373	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	182,322	-	-	-	-	-	-
Total disbursements	<u>226,161</u>	<u>17,103</u>	<u>1,488</u>	<u>619</u>	<u>787</u>	<u>10,180</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>9,063</u>	<u>3,248</u>	<u>770</u>	<u>(59)</u>	<u>(787)</u>	<u>(1,031)</u>	<u>787</u>
Cash and investments - ending	<u>\$ 38,161</u>	<u>\$ 34,502</u>	<u>\$ 17,113</u>	<u>\$ 3,805</u>	<u>\$ -</u>	<u>\$ 12,360</u>	<u>\$ 6,642</u>

TOWN OF SANDBORN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Cumulative Capital Improvement Cigarette Tax	Cedit Capital Projects	Community Building/Center	Payroll	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Wastewater Utility- Depreciation/ Improvement
Cash and investments - beginning	\$ 3,573	\$ 17,512	\$ 2,800	\$ 1,904	\$ 6,659	\$ 78,954	\$ 14,520
Receipts:							
Taxes	-	3,555	-	-	-	-	-
Intergovernmental	1,295	-	-	-	-	-	-
Charges for services	-	-	4,355	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	-	-	223,999	-	-
Other receipts	-	700	8,301	70,187	-	83,820	5,808
Total receipts	1,295	4,255	12,656	70,187	223,999	83,820	5,808
Disbursements:							
Personal services	-	-	-	70,155	-	-	-
Supplies	-	-	692	-	-	-	-
Other services and charges	151	4,786	3,073	-	-	-	-
Debt service - principal and interest	-	-	-	-	81,131	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	127,703	-	-
Other disbursements	-	-	1,878	-	14,672	82,066	-
Total disbursements	151	4,786	5,643	70,155	223,506	82,066	-
Excess (deficiency) of receipts over disbursements	1,144	(531)	7,013	32	493	1,754	5,808
Cash and investments - ending	\$ 4,717	\$ 16,981	\$ 9,813	\$ 1,936	\$ 7,152	\$ 80,708	\$ 20,328

TOWN OF SANDBORN
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility-Customer Deposit	Wastewater Utility New Debt Service	Wastewater Utility-Operation And Maintenance	Water Utility-Operating	Water Utility-Customer Deposit	Stormwater Drainage Grant	Totals
Cash and investments - beginning	\$ 3,100	\$ 94,315	\$ 11,000	\$ 9,053	\$ 3,740	\$ 81	\$ 347,803
Receipts:							
Taxes	-	-	-	-	-	-	55,823
Intergovernmental	-	-	-	-	-	-	32,471
Charges for services	-	-	-	-	-	-	4,355
Fines and forfeits	-	-	-	-	-	-	1,045
Utility fees	1,200	-	-	100,663	600	-	326,462
Other receipts	-	5,843	-	-	-	176,406	534,905
Total receipts	<u>1,200</u>	<u>5,843</u>	<u>-</u>	<u>100,663</u>	<u>600</u>	<u>176,406</u>	<u>955,061</u>
Disbursements:							
Personal services	-	-	-	-	-	-	101,622
Supplies	-	-	-	-	-	-	4,440
Other services and charges	-	-	-	-	-	-	28,088
Debt service - principal and interest	-	-	-	21,702	-	-	102,833
Capital outlay	-	-	-	-	-	176,406	195,129
Utility operating expenses	-	-	-	63,321	-	-	191,024
Other disbursements	600	4,584	-	-	300	-	286,422
Total disbursements	<u>600</u>	<u>4,584</u>	<u>-</u>	<u>85,023</u>	<u>300</u>	<u>176,406</u>	<u>909,558</u>
Excess (deficiency) of receipts over disbursements	<u>600</u>	<u>1,259</u>	<u>-</u>	<u>15,640</u>	<u>300</u>	<u>-</u>	<u>45,503</u>
Cash and investments - ending	<u>\$ 3,700</u>	<u>\$ 95,574</u>	<u>\$ 11,000</u>	<u>\$ 24,693</u>	<u>\$ 4,040</u>	<u>\$ 81</u>	<u>\$ 393,306</u>

TOWN OF SANDBORN
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 4,868	\$ -
Stormwater Grant	-	-
Wastewater	563	1,765
Water	<u>1,043</u>	<u>883</u>
Totals	<u>\$ 6,474</u>	<u>\$ 2,648</u>

TOWN OF SANDBORN
 SCHEDULE OF LEASES AND DEBT
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater:			
Revenue bonds	Sewer Plant Bonds	\$ 1,525,383	\$ 83,773
Water:			
Notes and loans payable	Water Plant Loan	12,363	3,485
Totals		<u>\$ 1,537,746</u>	<u>\$ 87,258</u>

TOWN OF SANDBORN
SCHEDULE OF CAPITAL ASSETS
December 31, 2011

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.

	Ending Balance
Governmental activities:	
Land	\$ 3,751
Infrastructure	214,762
Buildings	317,119
Improvements other than buildings	20,943
Total governmental activities	556,575
Wastewater:	
Land	8,574
Buildings	94,058
Improvements other than buildings	2,639,927
Machinery, equipment and vehicles	4,148,822
Total Wastewater	6,891,381
Water:	
Land	15,000
Infrastructure	310,416
Buildings	316,517
Improvements other than buildings	273,256
Machinery, equipment and vehicles	2,567
Total Water	917,756
Stormwater Grant:	
Total Stormwater Grant	-
Total capital assets	\$ 8,365,712

TOWN OF SANDBORN
AUDIT RESULTS AND COMMENTS

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Sandborn owes the Water Utility hydrant rental of \$3,010 for each of 2010 and 2011, pursuant to Rate Ordinance 2009-03 passed by the Town Council on October 6, 2009.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town submitted an incorrect 2011 W-2 for an employee. The Town submitted the W-2 with \$276 in noncash benefits. The Town should have submitted the W-2 with \$1,095 in noncash benefits.

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENT MATURITY LIMITATIONS

The governmental unit purchased certain investments which have a stated maturity in excess of two years.

Indiana Code 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

TOWN OF SANDBORN
AUDIT RESULTS AND COMMENTS
(Continued)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

(1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

(A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;

(B) a description of the premises, as shown by the records of the county auditor; and

(C) the amount of the delinquent fees, together with the penalty; or

(2) an individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder . . ."

(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of the Town of Sandborn (Town) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the years ended December 31, 2010 and 2011. The Town's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Town's management. Our responsibility is to express an opinion on the Town's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town's compliance with those requirements.

In our opinion, the Town complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2010 and 2011.

Internal Control Over Compliance

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Town's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Town's management, Town Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

May 16, 2012

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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Schedule of Expenditures of Federal Awards and accompanying note presented were approved by management of the Town. The schedule and note are presented as intended by the Town.

TOWN OF SANDBORN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Years Ended December 31, 2010 and 2011

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended 12-31-10	Total Federal Awards Expended 12-31-11
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Direct Grant				
Water and Waste Disposal Systems for Rural Communities	10.760		\$ -	\$ 74,400
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
Pass-Through Indiana Office of Community and Rural Affairs				
CDBG - State Administered CDBG Cluster				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	DR2-09-023 PL-09-006	801,573 30,000	176,406 -
Total for cluster			<u>831,573</u>	<u>176,406</u>
Total federal awards expended			<u>\$ 831,573</u>	<u>\$ 250,806</u>

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

TOWN OF SANDBORN
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

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

Circular A-133 requires an annual audit of nonfederal entities expending a total amount of federal awards equal to or in excess of \$500,000 in any fiscal year unless by constitution or statute a less frequent audit is required. In accordance with Indiana Code (IC 5-11-1 et seq.), audits of towns with populations under 5,000 shall be conducted biennially. Such audits shall include both years within the biennial period.

TOWN OF SANDBORN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements:

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiency identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	no

Identification of Major Programs:

_____ Name of Federal Program or Cluster _____
CDBG - State Administered CDBG Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000
Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

No matters are reportable.

TOWN OF SANDBORN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

TOWN OF SANDBORN
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2012, with Ralph Heshelman, President of the Town Council; and Judith C. Hartsburg, Clerk-Treasurer. The officials concurred with our audit findings.