

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF CARBON

CLAY COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
10/19/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane Fields	01-01-08 to 12-31-15
President of the Town Council	Josephine Rightsell	01-01-10 to 12-31-12
Superintendent of Water Utility	Ronald Keen	01-01-10 to 12-31-12
Superintendent of Wastewater Utility	Ronald Keen	01-01-10 to 12-31-12



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the accompanying financial statements of the Town of Carbon (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination 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 Leases and Debt, and Schedule of Capital Assets, 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.

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

September 11, 2012

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## 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 CARBON  
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 Fund	\$ 19,389	\$ 25,795	\$ 25,080	\$ 20,104
Motor Vehicle Highway	31,573	14,097	14,863	30,807
Local Road And Street	19,292	1,973	3,747	17,518
Donations	8,616	5,000	4,706	8,910
Riverboat Revenue	-	2,090	-	2,090
Rainy Day	543	284	-	827
Levy Excess	-	41	-	41
Cumulative Capital Development	23,314	754	2,800	21,268
Cumulative Capital Improvement	8,610	977	2,346	7,241
Carbon Storm Water Utility	19,193	47,554	32,554	34,193
Wastewater Operating Fund	34,467	39,122	41,040	32,549
Wastewater Bond And Interest	11,925	6,840	9,645	9,120
Wastewater Depreciation	19,813	2,424	6,883	15,354
Wastewater Reserve	17,150	840	6,035	11,955
Wastewater Oper. And Maint.	4,506	3,000	2,375	5,131
Water Operating Fund	221,430	260,583	177,505	304,508
Water Utility-Bond And Interest	22,642	23,641	20,840	25,443
Water Customer Deposit Account	19,775	500	100	20,175
Water Utility-Debt Reserve	15,573	804	-	16,377
Storm Water Construction	21,585	-	21,585	-
Totals	<u>\$ 519,396</u>	<u>\$ 436,319</u>	<u>\$ 372,104</u>	<u>\$ 583,611</u>

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

TOWN OF CARBON  
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 Fund	\$ 20,104	\$ 32,391	\$ 29,651	\$ 22,844
Motor Vehicle Highway	30,807	11,162	17,870	24,099
Local Road And Street	17,518	2,009	1,244	18,283
Riverboat Revenue	2,090	2,090	-	4,180
Rainy Day	827	-	-	827
Levy Excess	41	-	41	-
Cumulative Capital Development	21,268	2,832	6,271	17,829
Cumulative Capital Improvement	7,241	968	364	7,845
LOIT-Public Safety	-	1,927	-	1,927
Donations	8,910	6,130	10,956	4,084
Carbon Storm Water Utility	34,193	27,234	32,311	29,116
Grant for Sewer Project	-	17,280	17,280	-
Wastewater Operating Fund	32,549	37,500	45,433	24,616
Wastewater Bond And Interest	9,120	6,840	7,845	8,115
Wastewater Depreciation	15,354	2,424	2,002	15,776
Wastewater Reserve	11,955	840	4,500	8,295
Wastewater Oper. And Maint.	5,131	3,000	4,353	3,778
Water Operating Fund	304,508	267,525	250,145	321,888
Water Utility-Bond And Interest	25,443	23,640	20,246	28,837
Water Customer Deposit Account	20,175	700	310	20,565
Water Utility-Debt Reserve	16,377	804	-	17,181
Totals	<u>\$ 583,611</u>	<u>\$ 447,296</u>	<u>\$ 450,822</u>	<u>\$ 580,085</u>

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

TOWN OF CARBON  
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, culture and recreation, public improvements, planning and zoning, general administrative services, water, and wastewater.

The accompanying financial statements present the financial information for the Town.

*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 include 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.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses 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 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,

TOWN OF CARBON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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 held as performance guarantees (forfeitures).

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

Penalties which include fees received for late payments.

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 include 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.

TOWN OF CARBON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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.

*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.

TOWN OF CARBON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

**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.

**Note 6. Pension Plan**

*Public Employees' Retirement Fund*

*Plan Description*

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System  
1 North Capital Street, Suite 001  
Indianapolis, IN 46204  
Ph. (888) 526-1687

TOWN OF CARBON  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*Funding Policy and Annual Pension Cost*

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

**Note 7. *Agreed Order with IDEM***

Carbon is under an Agreed Order with the Indiana Department of Environmental Management (IDEM) dated June 24, 2010. The Carbon Wastewater Utility was cited for failing to comply with effluent limitations contained in their Permit, which is a violation of the Clean Water Act and IC 13, and is grounds for an enforcement action. The Town has had a preliminary engineering study performed and is currently in the process of developing corrective actions at the wastewater lagoons to address and correct the problem.

## 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/](http://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 examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

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

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Donations	Riverboat Revenue	Rainy Day	Levy Excess
Cash and investments - beginning	\$ 19,389	\$ 31,573	\$ 19,292	\$ 8,616	\$ -	\$ 543	\$ -
Receipts:							
Taxes	10,566	-	-	-	-	-	-
Licenses and permits	2,234	-	-	-	-	-	-
Intergovernmental	9,099	8,787	1,973	-	2,090	284	41
Fines and forfeits	200	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-
Other receipts	3,696	5,310	-	5,000	-	-	-
Total receipts	<u>25,795</u>	<u>14,097</u>	<u>1,973</u>	<u>5,000</u>	<u>2,090</u>	<u>284</u>	<u>41</u>
Disbursements:							
Personal services	11,540	-	-	-	-	-	-
Supplies	257	10,393	3,747	-	-	-	-
Other services and charges	13,283	4,470	-	4,706	-	-	-
Debt service - principal and interest	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-	-
Total disbursements	<u>25,080</u>	<u>14,863</u>	<u>3,747</u>	<u>4,706</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>715</u>	<u>(766)</u>	<u>(1,774)</u>	<u>294</u>	<u>2,090</u>	<u>284</u>	<u>41</u>
Cash and investments - ending	<u>\$ 20,104</u>	<u>\$ 30,807</u>	<u>\$ 17,518</u>	<u>\$ 8,910</u>	<u>\$ 2,090</u>	<u>\$ 827</u>	<u>\$ 41</u>

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

	Cumulative Capital Development	Cumulative Capital Improvement	Carbon Storm Water Utility	Wastewater Operating Fund	Wastewater Bond And Interest	Wastewater Depreciation	Wastewater Reserve
Cash and investments - beginning	\$ 23,314	\$ 8,610	\$ 19,193	\$ 34,467	\$ 11,925	\$ 19,813	\$ 17,150
Receipts:							
Taxes	629	-	-	-	-	-	-
Licenses and permits	125	-	-	-	-	-	-
Intergovernmental	-	977	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	25,967	37,373	-	-	-
Penalties	-	-	-	1,669	-	-	-
Other receipts	-	-	21,587	80	6,840	2,424	840
Total receipts	<u>754</u>	<u>977</u>	<u>47,554</u>	<u>39,122</u>	<u>6,840</u>	<u>2,424</u>	<u>840</u>
Disbursements:							
Personal services	-	-	-	-	-	-	-
Supplies	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-	-
Debt service - principal and interest	-	-	-	-	9,645	-	-
Capital outlay	-	-	-	-	-	6,883	-
Utility operating expenses	-	-	-	23,406	-	-	6,035
Other disbursements	2,800	2,346	32,554	17,634	-	-	-
Total disbursements	<u>2,800</u>	<u>2,346</u>	<u>32,554</u>	<u>41,040</u>	<u>9,645</u>	<u>6,883</u>	<u>6,035</u>
Excess (deficiency) of receipts over disbursements	<u>(2,046)</u>	<u>(1,369)</u>	<u>15,000</u>	<u>(1,918)</u>	<u>(2,805)</u>	<u>(4,459)</u>	<u>(5,195)</u>
Cash and investments - ending	<u>\$ 21,268</u>	<u>\$ 7,241</u>	<u>\$ 34,193</u>	<u>\$ 32,549</u>	<u>\$ 9,120</u>	<u>\$ 15,354</u>	<u>\$ 11,955</u>

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

	Wastewater Oper. And Maint.	Water Operating Fund	Water Utility-Bond And Interest	Water Customer Deposit Account	Water Utility-Debt Reserve	Storm Water Construction	Totals
Cash and investments - beginning	\$ 4,506	\$ 221,430	\$ 22,642	\$ 19,775	\$ 15,573	\$ 21,585	\$ 519,396
Receipts:							
Taxes	-	-	-	-	-	-	11,195
Licenses and permits	-	-	-	-	-	-	2,359
Intergovernmental	-	-	-	-	-	-	23,251
Fines and forfeits	-	-	-	-	-	-	200
Utility fees	-	253,423	-	-	-	-	316,763
Penalties	-	2,745	-	-	-	-	4,414
Other receipts	3,000	4,415	23,641	500	804	-	78,137
Total receipts	3,000	260,583	23,641	500	804	-	436,319
Disbursements:							
Personal services	-	-	-	-	-	-	11,540
Supplies	-	-	-	-	-	-	14,397
Other services and charges	-	-	-	-	-	-	22,459
Debt service - principal and interest	-	-	20,840	-	-	-	30,485
Capital outlay	-	-	-	-	-	-	6,883
Utility operating expenses	2,375	123,913	-	100	-	-	155,829
Other disbursements	-	53,592	-	-	-	21,585	130,511
Total disbursements	2,375	177,505	20,840	100	-	21,585	372,104
Excess (deficiency) of receipts over disbursements	625	83,078	2,801	400	804	(21,585)	64,215
Cash and investments - ending	\$ 5,131	\$ 304,508	\$ 25,443	\$ 20,175	\$ 16,377	\$ -	\$ 583,611

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

	General Fund	Motor Vehicle Highway	Local Road And Street	Riverboat Revenue	Rainy Day	Levy Excess	Cumulative Capital Development	Cumulative Capital Improvement
Cash and investments - beginning	\$ 20,104	\$ 30,807	\$ 17,518	\$ 2,090	\$ 827	\$ 41	\$ 21,268	\$ 7,241
Receipts:								
Taxes	12,087	-	-	-	-	-	632	-
Intergovernmental	8,873	8,917	2,009	2,090	-	-	111	968
Charges for services	3,246	-	-	-	-	-	-	-
Fines and forfeits	7,950	-	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-	-	-
Penalties	-	-	-	-	-	-	-	-
Other receipts	235	2,245	-	-	-	-	2,089	-
Total receipts	<u>32,391</u>	<u>11,162</u>	<u>2,009</u>	<u>2,090</u>	<u>-</u>	<u>-</u>	<u>2,832</u>	<u>968</u>
Disbursements:								
Personal services	15,806	3,439	140	-	-	-	-	-
Supplies	662	63	315	-	-	-	-	-
Other services and charges	12,238	14,127	789	-	-	-	471	364
Debt service - principal and interest	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	5,800	-
Utility operating expenses	-	-	-	-	-	-	-	-
Other disbursements	945	241	-	-	-	41	-	-
Total disbursements	<u>29,651</u>	<u>17,870</u>	<u>1,244</u>	<u>-</u>	<u>-</u>	<u>41</u>	<u>6,271</u>	<u>364</u>
Excess (deficiency) of receipts over disbursements	<u>2,740</u>	<u>(6,708)</u>	<u>765</u>	<u>2,090</u>	<u>-</u>	<u>(41)</u>	<u>(3,439)</u>	<u>604</u>
Cash and investments - ending	<u>\$ 22,844</u>	<u>\$ 24,099</u>	<u>\$ 18,283</u>	<u>\$ 4,180</u>	<u>\$ 827</u>	<u>\$ -</u>	<u>\$ 17,829</u>	<u>\$ 7,845</u>

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

	LOIT-Public Safety	Donations	Carbon Storm Water Utility	Grant for Sewer Project	Wastewater Operating Fund	Wastewater Bond And Interest	Wastewater Depreciation
Cash and investments - beginning	\$ -	\$ 8,910	\$ 34,193	\$ -	\$ 32,549	\$ 9,120	\$ 15,354
Receipts:							
Taxes	-	-	-	-	-	-	-
Intergovernmental	1,927	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-	-
Utility fees	-	-	27,234	-	35,622	-	-
Penalties	-	-	-	-	1,836	-	-
Other receipts	-	6,130	-	17,280	42	6,840	2,424
Total receipts	<u>1,927</u>	<u>6,130</u>	<u>27,234</u>	<u>17,280</u>	<u>37,500</u>	<u>6,840</u>	<u>2,424</u>
Disbursements:							
Personal services	-	1,215	-	-	-	-	-
Supplies	-	1,216	-	-	-	-	-
Other services and charges	-	4,174	-	-	-	-	-
Debt service - principal and interest	-	-	32,302	-	-	7,845	-
Capital outlay	-	4,208	-	-	-	-	2,002
Utility operating expenses	-	-	9	-	31,300	-	-
Other disbursements	-	143	-	17,280	14,133	-	-
Total disbursements	<u>-</u>	<u>10,956</u>	<u>32,311</u>	<u>17,280</u>	<u>45,433</u>	<u>7,845</u>	<u>2,002</u>
Excess (deficiency) of receipts over disbursements	<u>1,927</u>	<u>(4,826)</u>	<u>(5,077)</u>	<u>-</u>	<u>(7,933)</u>	<u>(1,005)</u>	<u>422</u>
Cash and investments - ending	<u>\$ 1,927</u>	<u>\$ 4,084</u>	<u>\$ 29,116</u>	<u>\$ -</u>	<u>\$ 24,616</u>	<u>\$ 8,115</u>	<u>\$ 15,776</u>

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

	Wastewater Reserve	Wastewater Oper. And Maint.	Water Operating Fund	Water Utility-Bond And Interest	Water Customer Deposit Account	Water Utility-Debt Reserve	Totals
Cash and investments - beginning	\$ 11,955	\$ 5,131	\$ 304,508	\$ 25,443	\$ 20,175	\$ 16,377	\$ 583,611
Receipts:							
Taxes	-	-	16,507	-	-	-	29,226
Intergovernmental	-	-	-	-	-	-	24,895
Charges for services	-	-	-	-	-	-	3,246
Fines and forfeits	-	-	-	-	-	-	7,950
Utility fees	-	-	241,497	-	-	-	304,353
Penalties	-	-	2,626	-	-	-	4,462
Other receipts	840	3,000	6,895	23,640	700	804	73,164
Total receipts	840	3,000	267,525	23,640	700	804	447,296
Disbursements:							
Personal services	-	-	-	-	-	-	20,600
Supplies	-	-	-	-	-	-	2,256
Other services and charges	-	-	-	-	-	-	32,163
Debt service - principal and interest	-	-	-	20,246	-	-	60,393
Capital outlay	2,500	-	12,169	-	-	-	26,679
Utility operating expenses	2,000	4,353	193,192	-	-	-	230,854
Other disbursements	-	-	44,784	-	310	-	77,877
Total disbursements	4,500	4,353	250,145	20,246	310	-	450,822
Excess (deficiency) of receipts over disbursements	(3,660)	(1,353)	17,380	3,394	390	804	(3,526)
Cash and investments - ending	\$ 8,295	\$ 3,778	\$ 321,888	\$ 28,837	\$ 20,565	\$ 17,181	\$ 580,085

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

Type	Description of Debt Purpose	Ending Principal Balance	Principal and Interest Due Within One Year
Storm Water: Notes and loans payable	installation of storm water utilities. (pymts made each mo.)	\$ 444,310	\$ 32,202
Wastewater: Revenue bonds	installation of Carbon Sewers	62,400	6,345
Water: Revenue bonds	water tower	156,000	21,625
Totals		<u>\$ 662,710</u>	<u>\$ 60,172</u>

TOWN OF CARBON  
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	\$ 6,000
Buildings	79,000
Machinery, equipment and vehicles	50,000
Books and other	14,500
Total governmental activities	149,500
Storm Water:	
Land	4,000
Infrastructure	650,000
Total Storm Water	654,000
Wastewater:	
Land	25,000
Infrastructure	250,000
Buildings	4,000
Improvements other than buildings	13,600
Machinery, equipment and vehicles	35,500
Total Wastewater	328,100
Water:	
Land	2,000
Infrastructure	855,275
Buildings	44,100
Improvements other than buildings	9,000
Machinery, equipment and vehicles	17,000
Books and other	5,000
Total Water	932,375
Total capital assets	\$ 2,063,975

TOWN OF CARBON  
EXAMINATION RESULTS AND COMMENTS

***CAPITAL ASSET RECORDS***

As previously reported, most recently in Report B37915, the Town does not maintain a capital asset register. An inventory of all capital assets owned has not been taken.

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

***CUSTOMER DEPOSIT REGISTER***

As previously reported, most recently in Report B37915, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. The customer deposit balance recorded on the general ledger is greater than that shown on the detailed customer deposit register.

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

***COMPENSATION***

The Town Council approved \$50 per month raises for Diane Fields, Clerk-Treasurer, and Josephine Rightsell, President of the Town Council, beginning in August 2010 and for the remainder of the year. Both are elected Town officers. Each received \$250 total additional salary paid equally from the Water Utility and the Wastewater Utility.

Indiana Code 36-5-3-2 states in part:

"(a) As used in this section 'compensation' means the total of money paid to an elected town officer for performing duties as a town officer, regardless of the source of funds from which the money is paid. . . .

(c) The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

On September 7, 2012, Diane Fields and Josephine Rightsell reimbursed the overpaid salary amounts as follows: \$125 each to the Water Utility Operating Fund and \$125 each to the Wastewater Utility Operating Fund.

TOWN OF CARBON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

**FUND SOURCES AND USES**

Funds were disbursed from the Motor Vehicle Highway Fund for law enforcement purposes. However, the amount disbursed in 2010 and 2011 exceeded the 15 percent statutory limit by \$2,129 and \$3,863, respectively. Funds were also disbursed from the Motor Vehicle Highway Fund for mowing and general maintenance of Town property, which is not a statutorily authorized use of Motor Vehicle Highway Funds.

Indiana Code 8-14-1-5 limits the use of city and town Motor Vehicle Highway Account distributions to "their highways." Indiana Code 8-14-1-1 (c) defines the term "highways" to include "roadway, rights-of-way, bridges, drainage structures, signs, guard rails, protective structures in connection with highways, drains, culverts and bridges and the substructure and superstructure of bridges and approaches thereto and streets and alleys of cities and towns." Following is a listing of the approved uses.

- (1) Construction and reconstruction of streets, alleys and curbs.
- (2) Repair and maintenance of streets, alleys, and curbs.
- (3) Oiling, sprinkling, snow removal, weed and tree cutting and cleaning of streets, alleys and curbs.
- (4) Costs of the separation of the grades of crossing of public highways and railroads.
- (5) Purchase or lease of highway construction and maintenance equipment.
- (6) Purchase, erection, operation and maintenance of traffic signs and signals, and safety zones and devices.
- (7) Painting of structures, objects, surfaces and highways for the purpose of safety and traffic regulations.
- (8) Law enforcement purposes subject to the following limitations:
  - (a) For cities and towns with a population of less than five thousand (5,000) no more than fifteen percent (15%) may be spent for law enforcement purposes.
  - (b) For cities or towns other than those specified in (a), no more than ten percent (10%) may be spent for law enforcement purposes.
- (9) Payment of principal and interest on bonds sold primarily to finance road, street, or thoroughfare projects.

All motor vehicle highway distributions shall be budgeted and appropriated in the manner required by law.

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

TOWN OF CARBON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***PRESCRIBED FORM***

The following prescribed or approved form was not always in use:

General Form No. 99B Employees Earnings Record

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

***OFFICIAL BONDS***

The following official bonds for 2010 and 2011 were not filed in the Office of the County Recorder:

Diane Fields, Clerk-Treasurer

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF CARBON  
EXIT CONFERENCE

The contents of this report were discussed on September 11, 2012, with Diane Fields, Clerk-Treasurer, and Josephine Rightsell, President of the Town Council. The officials concurred with our findings.