

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF CARBON
CLAY COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
08/23/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diane Fields	01-01-04 to 12-31-07
President of the Town Council	Josephine Rightsell	01-01-04 to 12-31-06



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Carbon (Town), for the period of January 1, 2004 to December 31, 2005. The Town's management is responsible for the schedules. 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 schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2004 and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

July 24, 2006

TOWN OF CARBON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2004 And 2005

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 5,282	\$ 31,485	\$ 26,615	\$ 10,152
Motor Vehicle Highway	19,920	10,460	7,199	23,181
Local Road and Street	14,815	2,204	91	16,928
Cumulative Capital Improvement	4,815	6,247	4,750	6,312
Cumulative Capital Development	16,020	1,923	-	17,943
Proprietary Funds:				
Water Utility - Operating	115,845	110,686	93,925	132,606
Water Utility - Bond and Interest	12,016	23,640	20,156	15,500
Water Utility - Reserve	18,356	804	-	19,160
Water Utility - Customer Deposit	16,543	1,960	1,323	17,180
Water Utility - Construction	67,461	19,047	36,112	50,396
Wastewater Utility - Operating	25,197	36,330	35,529	25,998
Wastewater Utility - Bond and Interest	13,230	6,840	6,500	13,570
Wastewater Utility - Depreciation	26,434	2,424	4,218	24,640
Wastewater Utility - Reserve	12,110	840	-	12,950
Wastewater Utility - Operation and Maintenance	3,330	3,000	2,250	4,080
Wastewater Utility - Storm Sewer Utility	-	2,836	-	2,836
Fiduciary Fund:				
Payroll	1	6,877	6,884	(6)
Totals	<u>\$ 371,375</u>	<u>\$ 267,603</u>	<u>\$ 245,552</u>	<u>\$ 393,426</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 10,152	\$ 22,039	\$ 24,482	\$ 7,709
Motor Vehicle Highway	23,181	10,362	9,470	24,073
Local Road and Street	16,928	2,206	5,000	14,134
Cumulative Capital Improvement	6,312	1,033	1,061	6,284
Cumulative Capital Development	17,943	1,134	-	19,077
Proprietary Funds:				
Water Utility - Operating	132,606	113,547	114,767	131,386
Water Utility - Bond and Interest	15,500	23,640	21,760	17,380
Water Utility - Reserve	19,160	804	1,344	18,620
Water Utility - Customer Deposit	17,180	1,500	725	17,955
Water Utility - Construction	50,396	4,418	9,970	44,844
Wastewater Utility - Operating	25,998	42,962	44,580	24,380
Wastewater Utility - Bond and Interest	13,570	6,840	6,400	14,010
Wastewater Utility - Depreciation	24,640	2,424	3,311	23,753
Wastewater Utility - Reserve	12,950	840	-	13,790
Wastewater Utility - Operation and Maintenance	4,080	3,000	3,000	4,080
Wastewater Utility - Storm Sewer Utility	2,836	7,712	160	10,388
Fiduciary Fund:				
Payroll	(6)	6,973	6,973	(6)
Totals	<u>\$ 393,426</u>	<u>\$ 251,434</u>	<u>\$ 253,003</u>	<u>\$ 391,857</u>

The accompanying notes are an integral part of the schedules.

TOWN OF CARBON
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, highways and streets, public improvements, general administrative services, water, and wastewater.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100% of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes the Town to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

TOWN OF CARBON
NOTES TO SCHEDULES
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

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

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

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The Town has entered into various debts such as bonds for Water Utility Improvements and Wastewater Utility Improvements. The outstanding principal at December 31, 2005, was \$228,000 and \$86,000, respectively.

Note 8. Subsequent Event

On January 11, 2006, the Town received \$100,150 in loan proceeds to cover preliminary expenses of the Stormwater Drainage project.

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND - TOWN AND UTILITIES

The following official bond was paid for but not filed in the Clay County Recorder's Office:

Clerk-Treasurer for the period of January 1, 2005 to December 31, 2005

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. . . ."

PRESCRIBED FORMS - TOWN AND UTILITIES

The following prescribed or approved forms were not in use:

Capital Assets Ledger (City and Town Form 211)
Clerk-Treasurer's Receipt (Town Form 217, Rev. 1997)

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)

APPROPRIATIONS - TOWN

The records presented for audit indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General Fund	2004	\$ 496
Cumulative Capital Improvement	2004	2,750

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

TOWN OF CARBON
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER - WATER UTILITY

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$52 were paid to the Indiana Department of Revenue on November 28, 2005, for May 2005 sales tax.

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)

TOWN OF CARBON
EXIT CONFERENCE

The contents of this report were discussed on July 24, 2006, with Diane Fields, Clerk-Treasurer; and Josephine Rightsell, President of the Town Council.