

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

EXAMINATION REPORT
OF
TOWN OF FARMERSURG
SULLIVAN COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
12/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Pamela K. Southwood (Vacant) Cindy Davis	01-01-04 to 09-24-07 09-25-07 to 09-30-07 10-01-07 to 12-31-07
President of the Town Council	Michael Bledsoe Michael G. Cazee	01-01-06 to 12-31-06 01-01-07 to 12-31-07



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FARMERSURG, SULLIVAN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Farmersurg (Town), for the period of January 1, 2006 to December 31, 2006. The Town's management is responsible for the financial information presented herein. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the financial information presented herein and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the financial information referred to above presents fairly, in all material respects, the financial information of the Town for the year ended December 31, 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

November 15, 2007

TOWN OF FARMERSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 72,213	\$ 78,057	\$ 65,096	\$ 85,174
Motor Vehicle Highway	10,431	51,291	47,360	14,362
Local Road and Street	1,865	6,300	3,814	4,351
Law Enforcement Continuing Education	2,459	170	-	2,629
Riverboat	-	7,426	7,426	-
Cumulative Capital Improvement	-	4,216	4,216	-
Cumulative Capital Development	23,201	6,659	104	29,756
Levy Excess	-	1,030	-	1,030
Proprietary Funds:				
Wastewater Utility - Operating	34,585	300,999	300,113	35,471
Wastewater Utility - Bond and Interest	5,909	173,982	179,891	-
Wastewater Utility - Equipment	1,443	3,047	3,990	500
Wastewater Utility - Construction	34,192	8,823	19,041	23,974
Wastewater Utility - Reserve	138,833	1,203	-	140,036
Totals	<u>\$ 325,131</u>	<u>\$ 643,203</u>	<u>\$ 631,051</u>	<u>\$ 337,283</u>

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

TOWN OF FARMERSURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

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

Note 3. Budgets

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

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. State statute (Indiana Code 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 (Indiana Code 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 FARMERSBURG
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Wastewater Utility		
Loans Payable		
1991 Improvements	\$ 108,000	\$ -
1995 State Revolving Fund Loan	830,000	-
Loans Payable		
2005 Improvements	<u>587,000</u>	<u>-</u>
Total business-type activities long-term debt:	<u>\$ 1,525,000</u>	<u>\$ -</u>

TOWN OF FARMERSBURG
EXAMINATION RESULTS AND COMMENTS

SALARY OVERPAYMENTS (Utility)

During 2007, Pamela K. Southwood, former Clerk-Treasurer, received three additional payroll checks. The total salary overpayment was \$696.03.

Pamela K. Spouthwood, former Clerk-Treasurer, was requested to reimburse the Town in the amount of \$696.03. (See Summary, page 10)

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)

OFFICIAL BOND (Town and Utility)

An official bond for Pamela K. Southwood (Smothers), former Clerk-Treasurer, is recorded in the Sullivan County Recorder's Office. The bond is for the term of office beginning January 1, 2004, and ending December 31, 2007. The amount of the bond is \$15,000 with Western Surety as surety.

CAPITAL ASSET RECORDS (Town and Utility)

As stated in prior Report B27142, the Town has not maintained capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

COMPENSATION AND BENEFITS (Town and Utility)

A salary ordinance was not provided for examination.

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER (Town and Utility)

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

TOWN OF FARMERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUBSEQUENT EVENT (Town and Utility)

Payroll taxes were not reported for the first quarter of 2007 and were not disbursed or reported for a portion of the second quarter of 2007.

Penalties and interest may be assessed for the late payment and reporting.

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)

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)

BOARD MINUTES (Town and Utility)

Not all minutes of meetings of the governing body were available for examination.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5."

TOWN OF FARMERSURG, SULLIVAN COUNTY
EXIT CONFERENCE

The contents of this report were discussed on November 15, 2007, with Michael G. Cazee, President of the Town Council; Cindy Davis, Clerk-Treasurer; Woodrow Power III, Town Council member; Howard Thompson, Town Council member; and Lynn Padgett, Town Council member; in separate meetings. The officials concurred with our findings.

Efforts were made to meet with Pamela K. Southwood, former Clerk-Treasurer; however, no meeting was held as of the date of this report.

TOWN OF FARMERSBURG
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Pamela K. Southwood, former Clerk-Treasurer: Salary Overpayments, page 7	<u>\$ 696.03</u>	<u>\$ -</u>	<u>\$ 696.03</u>

AFFIDAVIT

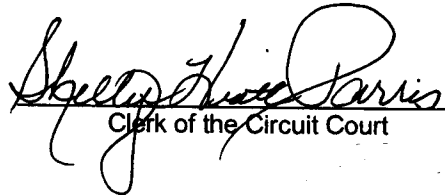
STATE OF INDIANA)
Sullivan COUNTY)

I, Joseph C. Jett, Auditor in Charge, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Farmersburg, Sullivan County, Indiana, for the period from January 1, 2006 to December 31, 2006, is true and correct to the best of my knowledge and belief.



Auditor in Charge

Subscribed and sworn to before me this 13th day of December, 2007



Clerk of the Circuit Court