

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

EXAMINATION REPORT

OF

TOWN OF FORT BRANCH

GIBSON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
06/03/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Lori Haley Stacy Elpers	01-01-04 to 11-17-06 11-18-06 to 12-31-11
President of the Town Council	Gerald Bledsoe Harold Wolf	01-01-06 to 12-31-07 01-01-08 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FORT BRANCH, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Fort Branch (Town), for the period of January 1, 2006 to December 31, 2007. 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 years ended December 31, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

April 2, 2008

TOWN OF FORT BRANCH
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 130,878	\$ 229,065	\$ 278,833	\$ 81,110
Donation - Senior Center	-	400	-	400
Motor Vehicle Highway	230,348	117,028	68,903	278,473
Local Road and Street	34,873	10,553	21,000	24,426
Park and Recreation	53,357	34,707	34,216	53,848
Law Enforcement Continuing Education	379	2,423	659	2,143
Donation	188	-	-	188
Cumulative Capital Improvement	32,627	8,288	15,029	25,886
Economic Development Income Tax	132,318	42,520	6,756	168,082
Proprietary Funds:				
Water Utility - Operating	156,920	444,023	488,120	112,823
Water Utility - Bond and Interest	102,851	188,939	188,194	103,596
Water Utility - Cash Reserve	42,920	300	-	43,220
Water Utility - Customer Deposit	85,247	15,100	11,852	88,495
Water Utility - Debt Service Reserve	203,889	-	-	203,889
Water Utility - Improvement	929,025	820	-	929,845
Wastewater Utility - Operating	479,469	964,330	826,364	617,435
Wastewater Utility - Bond and Interest	144	139,752	140,247	(351)
Wastewater Utility - Cash Reserve	42,534	1,739	-	44,273
Wastewater Utility - Construction	134,712	5,487	-	140,199
Wastewater Utility - Debt Service Reserve	99,253	-	-	99,253
Fiduciary Fund:				
Payroll	2,512	561,991	538,969	25,534
Totals	<u>\$ 2,894,444</u>	<u>\$ 2,767,465</u>	<u>\$ 2,619,142</u>	<u>\$ 3,042,767</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 81,110	\$ 315,684	\$ 311,431	\$ 85,363
Donation - Senior Center	400	-	-	400
Motor Vehicle Highway	278,473	100,695	154,068	225,100
Local Road and Street	24,426	10,560	9,597	25,389
Park and Recreation	53,848	43,551	51,192	46,207
Law Enforcement Continuing Education	2,143	3,670	1,433	4,380
Donation	188	21,066	21,000	254
Rainy Day	-	7,517	-	7,517
Cumulative Capital Improvement	25,886	8,148	14,946	19,088
Economic Development Income Tax	168,082	42,562	18,973	191,671
Proprietary Funds:				
Water Utility - Operating	112,823	463,256	572,829	3,250
Water Utility - Bond and Interest	103,596	198,821	187,262	115,155
Water Utility - Cash Reserve	43,220	358	-	43,578
Water Utility - Customer Deposit	88,495	13,879	12,343	90,031
Water Utility - Debt Service Reserve	203,889	-	-	203,889
Water Utility - Improvement	929,845	927	86,494	844,278
Wastewater Utility - Operating	617,435	689,080	1,188,033	118,482
Wastewater Utility - Bond and Interest	(351)	125,823	114,472	11,000
Wastewater Utility - Cash Reserve	44,273	52,272	95,940	605
Wastewater Utility - Construction	140,199	6,376	69,373	77,202
Wastewater Utility - Debt Service Reserve	99,253	-	49,627	49,626
Wastewater Utility - Defeasance Bond	-	169,241	-	169,241
Wastewater Utility - Bond and Interest	-	58,537	-	58,537
Wastewater Utility - Reserve	-	60,530	-	60,530
Wastewater Utility - Construction	-	388,461	-	388,461
Fiduciary Funds:				
Payroll	25,534	500,418	518,854	7,098
Levy Excess	-	4,654	-	4,654
Totals	<u>\$ 3,042,767</u>	<u>\$ 3,286,086</u>	<u>\$ 3,477,867</u>	<u>\$ 2,850,986</u>

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

TOWN OF FORT BRANCH
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 (police), highways and streets, culture and recreation, public improvements, planning and zoning, 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 FORT BRANCH
NOTES TO FINANCIAL INFORMATION
(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.

TOWN OF FORT BRANCH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2007

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.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 20,000
Buildings	542,030
Improvements other than buildings	56,819
Machinery and equipment	271,053
Construction in progress	<u>14,800</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 904,702</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 13,130
Buildings	2,322,159
Improvements other than buildings	792,587
Machinery and equipment	<u>49,621</u>
Total Water Utility capital assets	<u>3,177,497</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	106,257
Buildings	2,909,539
Improvements other than buildings	1,665,264
Machinery and equipment	<u>76,112</u>
Total Wastewater Utility capital assets	<u>4,757,172</u>
Total business-type activities capital assets	<u>\$ 7,934,669</u>

TOWN OF FORT BRANCH
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Utility Improvements	\$ 1,275,000	\$ 38,016
Total Water Utility	<u>1,275,000</u>	<u>38,016</u>
Wastewater Utility		
State Revolving Loans:		
Wastewater Utility Improvements	601,000	48,540
New Wastewater Facility	288,531	-
Revenue bonds:		
Refund Wastewater Bonds	<u>165,000</u>	<u>168,713</u>
Total Wastewater Utility	<u>1,054,531</u>	<u>217,253</u>
Total business-type activities debt	<u>\$ 2,329,531</u>	<u>\$ 255,269</u>

TOWN OF FORT BRANCH
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER (Water Utility)

The detailed customer deposit register does not reconcile with the customer deposit fund cash and investment balance.

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 (Town, Water and Wastewater Utilities)

Penalties and interest totaling \$4,809 were paid to the Internal Revenue Service and the Indiana Department of Revenue in the year 2007 for late payments made in the years 2006 and 2007. A similar comment was contained in the prior report.

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)

ACCOUNTABLE ITEMS (Water Utility)

Records presented for examination indicated that gallons of water pumped and not billed totaled 39,916,365 and 39,480,130 for the years 2006 and 2007, respectively. Thirty-five percent of water pumped in the years 2006 and 2007 was not billed. Calculations indicate that the potential dollar amount of this loss would be between \$63,866 and \$203,174 for the year 2006 and between \$63,168 and \$200,954 for the year 2007. The Water Utility bills are on a sliding scale based on the amount of water used. This could also result in a potential loss for the Wastewater Utility of \$255,864 for the year 2006 and \$253,068 for the year 2007 because wastewater bills are based on water consumption.

Goods for sale, billings, and other collections are considered accountable items for which a corresponding deposit must be made in the bank accounts of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Town)

As stated in the prior report, the following prescribed or approved form was not in use:

Register of Investments, General Form 350.

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)

TOWN OF FORT BRANCH
EXIT CONFERENCE

The contents of this report were discussed on April 10, 2008, with Harold Wolf, President of the Town Council; and Stacy Elpers, Clerk-Treasurer. The officials concurred with our findings.