

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

EXAMINATION REPORT

OF

TOWN OF SHADELAND

TIPPECANOE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
7/5/06

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy VanScheper	01-01-01 to 12-31-08
President of the Town Council	Jeff Findlay	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHADELAND, TIPPECANOE COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Shadeland (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.

Except as discussed in the following paragraph, 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.

Financial records presented for examination for the three years ended December 31, 2003 did not provide sufficient information to express an opinion on the receipts, disbursements, and ending balances. As a result, the validity and accountability of the individual fund cash and investment balances as of January 1, 2004, could not be established.

In our opinion, except for the potential misstatement described in the preceding paragraph, 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

June 15, 2006

TOWN OF SHADELAND
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 121,672	\$ 383,105	\$ 282,648	\$ 222,129
Motor Vehicle Highway	101,725	111,799	168,794	44,730
Local Road and Street	37,863	32,190	11,440	58,613
Cumulative Capital Development	102,082	47,532	230	149,384
Cumulative Capital Improvement	10,598	6,277	-	16,875
Economic Development Income Tax	20,869	75,870	84,650	12,089
Tax Incremental Financing	219,618	83,305	-	302,923
Rainy Day	-	15,099	-	15,099
Fiduciary Fund:				
Levy Excess	1,562	-	-	1,562
Totals	<u>\$ 615,989</u>	<u>\$ 755,177</u>	<u>\$ 547,762</u>	<u>\$ 823,404</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 222,129	\$ 222,300	\$ 236,124	\$ 208,305
Motor Vehicle Highway	44,730	328,806	192,268	181,268
Local Road and Street	58,613	32,851	27,544	63,920
Cumulative Capital Development	149,384	54,078	-	203,462
Cumulative Capital Improvement	16,875	5,199	-	22,074
Economic Development Income Tax	12,089	56,122	35,000	33,211
Tax Incremental Financing	302,923	86,655	-	389,578
Rainy Day	15,099	-	-	15,099
Fiduciary Fund:				
Levy Excess	1,562	-	-	1,562
Totals	<u>\$ 823,404</u>	<u>\$ 786,011</u>	<u>\$ 490,936</u>	<u>\$ 1,118,479</u>

The accompanying notes are an integral part of the schedules.

TOWN OF SHADELAND
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, 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 (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 SHADELAND
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual reports for 2004 and 2005 were not presented for examination. A similar comment appeared in prior Reports A94872, B18941, B12700, and B24842.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CAPITAL ASSET RECORDS

As stated in prior Reports B12700, B18941, and B24842, the Town does not have a record of capital assets.

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. 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)

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)

DEPOSITS

We noted 34 of 85 State and County distributions reviewed were deposited in excess of 2 weeks after the date of the distribution and 9 of 20 other receipts reviewed were deposited later than the next business day.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination Report B24842, were again present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

TOWN OF SHADELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) There were a considerable number of posting errors. These errors were primarily checks written but not recorded in the ledger.

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)

- (3) An appropriations ledger was not presented for examination.

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)

PENALTIES, INTEREST AND OTHER CHARGES

In some cases, amounts payable to utility companies were not paid until after the due date, and therefore incurred late charges. A similar comment appeared in prior Report B24842.

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)

SALES TAX

Sales tax was paid on telephone and electric bills. A similar comment appeared in prior Report B24842.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the audit period:

- (1) Accounts Payable Vouchers were not always used.
- (2) Eight of sixty claims selected were not presented for review.

TOWN OF SHADELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

(3) Eight of sixty claims reviewed did not have board approval.

(4) One of sixty claims reviewed was overpaid.

A similar comment appeared in prior Report B24842.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town of Shadeland did not comply with directives of the Internal Revenue Service in that a person paid as a contractor appears to meet the criteria of an employee and was not subject to withholdings rules and regulations, nor has the Town contacted the Internal Revenue Service for an official determination concerning whether the individual is a contractor or an employee. A similar comment appeared in prior Report B24842.

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)

TOWN OF SHADELAND
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTERNAL CONTROLS

Three of ten employees reviewed did not have a supervisor or the board approving their payroll claims. A similar comment appeared in prior Report B24842.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SHADELAND
EXIT CONFERENCE

The contents of this report were discussed on June 15, 2006, with Peggy VanSchepen, Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on June 16, 2006, with Jeff Findlay, President of the Town Council; Holly Conrad, Council member; and Michael Kuipers, Council member.