

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

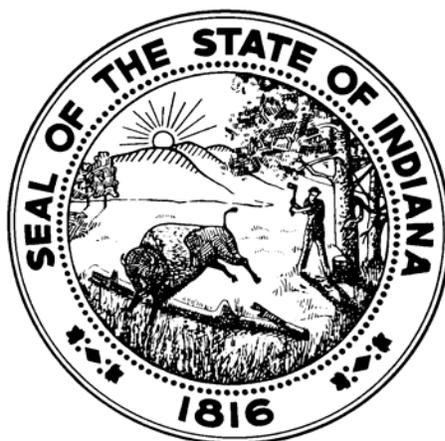
EXAMINATION REPORT

OF

TOWN OF HOPE

BARTHOLOMEW COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
7/31/06

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules	5
Examination Results and Comments:	
Capital Asset Records	6
Payroll Deductions	6
Water Utility Rate Ordinance	6
Overdrawn Fund Balances	6
Exit Conference	7
Official Response	8

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Robertson	01-01-04 to 12-31-07
President of the Town Council	Jon Ross	01-01-04 to 09-30-05
	Greg Sims	10-01-05 to 12-31-06
Superintendent of Utilities	Franklin Slater	01-01-04 to 05-31-04
	Ernest Holt, Jr.	01-01-04 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HOPE, BARTHOLOMEW COUNTY, INDIANA

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

May 16, 2006

TOWN OF HOPE
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	\$ 223,384	\$ 311,199	\$ 313,149	\$ 221,434
Motor Vehicle Highway	72,306	70,698	32,935	110,069
Local Road and Street	37,299	21,986	8,550	50,735
Park and Recreation	125	-	-	125
Law Enforcement Continuing Education	1,101	1,632	1,000	1,733
Riverboat	13,532	13,494	7,886	19,140
Cumulative Capital Improvement	26,686	7,986	-	34,672
Cumulative Capital Development	52,144	13,801	2,448	63,497
Housing Loan Fund	4,564	7,407	-	11,971
Community Center Project	-	50,000	30,241	19,759
Proprietary Funds:				
Water Operating	503,138	264,230	262,718	504,650
Water Customer Deposit	26,660	9,365	5,690	30,335
Wastewater Operating	108,136	210,268	193,131	125,273
Wastewater Debt Reserve	57,496	338	-	57,834
Wastewater Bond and Interest	644	42,316	42,960	-
Wastewater Customer Deposit	17,275	9,575	4,975	21,875
Wastewater Improvement	33,507	-	-	33,507
Fiduciary Fund:				
Payroll	1,400	281,798	282,100	1,098
Totals	<u>\$ 1,179,397</u>	<u>\$ 1,316,093</u>	<u>\$ 1,187,783</u>	<u>\$ 1,307,707</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 221,434	\$ 322,283	\$ 342,773	\$ 200,944
Motor Vehicle Highway	110,069	72,363	53,310	129,122
Local Road and Street	50,735	22,963	-	73,698
Park and Recreation	125	-	-	125
Law Enforcement Continuing Education	1,733	360	-	2,093
Riverboat	19,140	13,494	6,993	25,641
Chamber of Commerce	-	18,000	13,500	4,500
Cumulative Capital Improvement	34,672	6,615	-	41,287
Cumulative Capital Development	63,497	15,575	4,415	74,657
Housing Loan Fund	11,971	-	-	11,971
Community Center Project	19,759	573,241	593,000	-
Community Center Retainage	-	58,618	58,618	-
Proprietary Funds:				
Water Operating	504,650	340,987	316,146	529,491
Water Customer Deposit	30,335	9,190	6,550	32,975
Water Improvement	-	-	6,485	(6,485)
Wastewater Operating	125,273	208,835	220,245	113,863
Wastewater Debt Reserve	57,834	319	-	58,153
Wastewater Bond and Interest	-	41,340	41,340	-
Wastewater Customer Deposit	21,875	9,225	6,050	25,050
Wastewater Improvement	33,507	-	587	32,920
Stormwater Operating	-	77,895	21,630	56,265
Stormwater Grant	-	-	25,612	(25,612)
Fiduciary Fund:				
Payroll	1,098	279,764	280,079	783
Totals	<u>\$ 1,307,707</u>	<u>\$ 2,071,067</u>	<u>\$ 1,997,333</u>	<u>\$ 1,381,441</u>

The accompanying notes are an integral part of the schedules.

TOWN OF HOPE
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, 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 (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.

Note 6. Long-Term Debt

The Town has entered into various debts such as revenue bonds for the wastewater utility and a loan for the water utility. The outstanding principal at December 31, 2005, was \$185,000 and \$73,298, respectively.

TOWN OF HOPE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and the Utilities do not maintain 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)

PAYROLL DEDUCTIONS

Payments were made to some employees without payroll deductions for taxes. The utility superintendent was paid \$2,200 to serve as the animal control officer and the marshal's dispatch supervisor was paid \$1,800 to serve as the town permit clerk. These positions were paid without payroll deductions for taxes.

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)

WATER UTILITY RATE ORDINANCE

The Town has an ordinance concerning rates and charges for the use of and services rendered by the Waterworks Utility (2001-2003). However, some customers were not billed according to the rate structure in this ordinance. The incorrectly calculated bills resulted in underbillings to the five largest customers ranging from \$48 to \$215 for any given month. The miscalculation occurred every month for the five-year period from 2001 through 2005.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Water Improvement Fund and Stormwater Grant Fund were overdrawn in 2005.

The fund balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HOPE
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2006, with Shirley Robertson, Clerk-Treasurer; Brenda Tallent, Police Dispatch Supervisor; and Deborah Hatton, Utility Clerk. The official response has been made a part of this report and may be found on page 8.

TOWN OF HOPE

404 Jackson Street • Hope, Indiana 47246
Police (812) 546-4015 • Utilities (812) 546-5469 • Clerk-Treasurer (812) 546-0423
Fax (812) 546-0735

May 25, 2006

State Board of Accounts
302 West Washington Street
Room E 418
Indianapolis, In 46204-2738

OFFICIAL RESPONSE

PAYROLL DEDUCTIONS: This was by the request of the employees and their personal tax consultants. I was under the impression that as long as I provided a 1099 form it was permissible.

WATER UTILITY RATE ORDINANCE: When Ordinance 2001-03 was created by our advisor O. W. Krohn & Associates L.L.P. a previous rate item based on gallons used was deleted. After the council approved the ordinance Krohn & Associates forwarded the information to Keystone Consulting, who prepared a computer data disc to be used to update the rates. This was performed by Keystone and was tested by the utility clerk. It appears the rate that was to be deleted did not get deleted and the computer defaulted to the previous rate of Ordinance 1995. It was not intentional by anyone entity involved with making the changes or implementing the charges. We did not knowing fail to comply with the rate ordinance. The Town Council has been informed of this miscalculation and has taken action. The 2006 Ordinance has been tested and found to be correct.

OVERDRAWN FUND BALANCES: These were funds that were created for tracking of projects that were to be funded by a grant and the State Revolving Loan Fund. The distributions were made by local matching funds and I did not make the transfers from local funding to the project funds at the end of the year. This was an oversight on my part as I was not aware it would appear as "Overdrawn". I assure you that it is not an indicator of serious financial problems but a misunderstanding on the internal workings of the computer system.

I trust this information will be included in the audit findings for the years 2004 and 2005, for the Town of Hope.

Sincerely,



Shirley Robertson

Shirley Robertson Clerk Treasurer
Greg Sims President, Paula Pollitt Member, Harry Meek, Jr. Member, Jonathan Titus, Member
Shawn Lange, Member