

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

EXAMINATION REPORT

OF

TOWN OF RUSSELLVILLE

PUTNAM COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
08/09/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jane McGaughey Vacant Janet K. Smith	01-01-00 to 09-30-04 10-01-04 to 10-04-04 10-05-04 to 12-31-08
President of the Town Council	Sally McAfee	01-01-04 to 12-31-06
Superintendent of Water Utility	Steve Gant	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 RUSSELLVILLE, PUTNAM COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash balances of the Town of Russellville (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 third and fourth paragraphs, 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 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 the prior audit, the condition of the Town's records did not permit the application of standard auditing procedures to enable the auditors to render an opinion that account balances were fairly stated.

In our opinion, except that the lack of a reliable beginning cash balance referred to in the preceding paragraph results in incomplete presentation, 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 6, 2006

TOWN OF RUSSELLVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH BALANCES
ALL GOVERNMENTAL AND PROPRIETARY 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	\$ 62,886	\$ 185,741	\$ 200,394	\$ 48,233
Motor Vehicle Highway	71	17,698	3,401	14,368
Local Road and Street	3,811	2,780	444	6,147
Park and Recreation	841	50	437	454
Law Enforcement Continuing Education	-	2,457	2,219	238
Cumulative Capital Improvement	-	1,269	-	1,269
Proprietary Funds:				
Water Utility - Operating	75,537	28,941	45,909	58,569
Water Utility - Bond and Interest	25,161	28,411	16,468	37,104
Totals	<u>\$ 168,308</u>	<u>\$ 267,347</u>	<u>\$ 269,272</u>	<u>\$ 166,383</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 48,233	\$ 84,654	\$ 104,619	\$ 28,268
Motor Vehicle Highway	14,368	15,927	16,135	14,160
Local Road and Street	6,147	2,548	8,220	475
Park and Recreation	454	50	321	183
Law Enforcement Continuing Education	238	-	-	238
Cumulative Capital Improvement	1,269	1,051	-	2,320
Proprietary Funds:				
Water Utility - Operating	58,569	50,288	68,810	40,047
Water Utility - Bond and Interest	37,104	7,520	-	44,624
Water Utility - Customer Deposit	-	1,225	-	1,225
Totals	<u>\$ 166,383</u>	<u>\$ 163,263</u>	<u>\$ 198,105</u>	<u>\$ 131,541</u>

The accompanying notes are an integral part of the schedules.

TOWN OF RUSSELLVILLE
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 and water.

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

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.

Note 6. Long-Term Debt

The Town has entered into debt such as a loan for water utility improvements. The outstanding principal at December 31, 2005, was \$58,000.

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS - TOWN AND WATER UTILITY

The Town and Water Utility do not maintain a fixed asset record for additions and deletions, as stated in prior Audit Report 24680.

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)

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)

DEPOSITS - TOWN AND WATER UTILITY

In numerous instances, receipts 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."

CERTIFIED REPORTS NOT FILED - TOWN

The Town did not file certified reports of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2004 and 2005.

Indiana Code 5-11-13-1 states, in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORTS - TOWN

Annual reports for 2004 and 2005 were not presented for audit.

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 . . ."

ORDINANCES AND RESOLUTIONS - WATER UTILITY

Resolution 2004-3 requires a guarantee deposit for water service. However, the Clerk-Treasurer did not collect the proper deposit amount.

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)

PRESCRIBED FORMS - TOWN AND WATER UTILITY

The following prescribed or approved forms were not always in use:

Ledger of Receipts, Disbursements and Balances, City/Town Form 208
Ledger of Appropriations, Encumbrances, Disbursements and Balances, City/Town Form 209
Clerk-Treasurer's, City Controller's and City Treasurer's Monthly Financial,
Depository Statement and Cash Reconciliation, Form 206
Simplified Cash Journal Water Utility-Class C Form 319
Municipal Water Utility Receipts, Form 311
Register of Daily Cash Receipts, Form 313A

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)

RECEIPT ISSUANCE - TOWN AND WATER UTILITY

In some instances, receipts were not issued or recorded.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Jane K. Smith, Clerk-Treasurer; and Sally McAfee, President of the Town Board. The officials concurred with our findings.