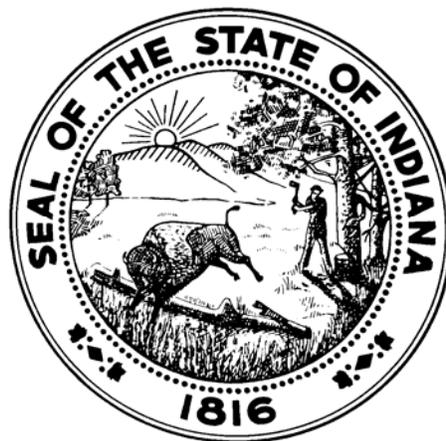


STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF SHIRLEY
HANCOCK AND HENRY COUNTIES, INDIANA
January 1, 2005 to December 31, 2005



FILED
09/22/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Marla J. Kemerly

01-01-04 to 12-31-07

President of the Town Council

A. Kyle Austin

01-01-05 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 SHIRLEY, HANCOCK AND HENRY COUNTIES, INDIANA

We have examined the schedule of receipts, disbursements, and cash and investment balances of the Town of Shirley (Town), for the period of January 1, 2005 to December 31, 2005. The Town's management is responsible for the schedule. 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 schedule referred to above presents fairly, in all material respects, the cash transactions of the Town for the year ended December 31, 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 23, 2006

TOWN OF SHIRLEY
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2005

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 279,651	\$ 427,178	\$ 442,336	\$ 264,493
Levy Excess	-	4,462	-	4,462
Motor Vehicle Highway	75,446	43,344	33,298	85,492
Local Road and Street	41,673	10,366	10,000	42,039
Law Enforcement Continuing Education	1,079	1,282	1,911	450
Riverboat	10,179	5,083	-	15,262
Rainy Day	15,469	-	-	15,469
Brownsfield Grant	-	17,642	17,642	-
Cumulative Capital Improvement	-	2,492	2,492	-
Cumulative Capital Development	28,237	9,616	-	37,853
Proprietary Funds:				
Water Utility - Operating	22,396	84,301	97,343	9,354
Water Utility - Debt Reserve	6,400	-	-	6,400
Water Utility - Depreciation	28,748	13,548	1,807	40,489
Water Utility - Customer Deposit	17,297	2,004	1,626	17,675
Wastewater Utility - Operating	99,344	164,398	176,489	87,253
Wastewater Utility - Bond and Interest	7,609	-	-	7,609
Wastewater Utility - Depreciation	61,990	6,608	11,559	57,039
Wastewater Utility - Lagoon Maintenance	103,431	7,586	413	110,604
Wastewater Utility - Improvement	44,176	112	-	44,288
Wastewater Utility - Debt Service	11,905	76,134	21,473	66,566
Fiduciary Fund:				
Payroll	13,077	149,775	147,865	14,987
Totals	<u>\$ 868,107</u>	<u>\$ 1,025,931</u>	<u>\$ 966,254</u>	<u>\$ 927,784</u>

The accompanying notes are an integral part of the schedule.

TOWN OF SHIRLEY
NOTES TO SCHEDULE

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety (police and fire), 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.

Note 6. Long-Term Debt

The Town has entered into a capital lease for a 2005 Crown Victoria. The outstanding principal at December 31, 2005, was \$5,902.

The Wastewater Utility has entered into debt for the construction of wastewater treatment plant and repairs. The outstanding principal at December 31, 2005, was \$263,097.

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for ten percent of disbursements tested.
- (2) Claims were not adequately itemized for thirty-five percent of disbursements tested.
- (3) Seven and a half percent of claims did not have Board approval.
- (4) Twelve and a half percent of claims or invoices did not have evidence to support receipt of goods or services.

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."

CAPTIAL ASSET RECORDS

As stated in the previous two audit reports, the Town did not maintain capital asset records nor was an inventory of capital assets performed. The information presented for audit indicates the Utilities do not maintain sufficient detailed records of capital assets. Records providing historical costs for some of the Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not recorded. A complete inventory of capital assets was not presented for audit.

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)

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance as of December 31, 2005. A similar comment has appeared in several prior audit reports.

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)

INVESTMENT TRANSACTIONS

As stated in the prior Audit Report, B25602, interest earned on investments was automatically added to the principal and not recorded in the records. The Investment Register (General Form 350) was not maintained.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Investment Register, General Form 350, shall be used for keeping a record or inventory of all investments purchased. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

WATER UTILITIES - COLLECTION POLICY

We were unable to find a written policy concerning collection procedures for delinquent accounts receivable. Because there is no written policy, we were unable to determine if customers were being treated equitably. A similar comment has appeared in several prior audit reports.

The governing board over a water, gas, or electric utility should adopt written policies dealing with unclaimed meter deposits, bad debts, due dates, write-offs, NSF checks, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SHIRLEY
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2006, with Marla J. Kemerly, Clerk-Treasurer; and A. Kyle Austin, President of the Town Council.