

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

EXAMINATION REPORT

OF

TOWN OF THORNTOWN

BOONE COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
10/27/2006

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	5-6
Examination Results and Comments:	
Capital Asset Records	7
Receipt Issuance and Deposits	7
Official Bond	7-8
Delinquent Wastewater Accounts	8
Exit Conference	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy Vaughn	01-01-04 to 12-31-07
Superintendent of Utilities	Jack Hutchens Gary Moody	01-01-04 to 08-04-04 08-05-04 to 12-31-06
President of the Town Council	Dale Dickerson Gary Jones	01-01-04 to 12-31-05 01-01-06 to 12-31-06
President of the Utility Service Board	Donald Vaughn	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 THORNTOWN, BOONE COUNTY, INDIANA

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

September 20, 2006

TOWN OF THORNTOWN
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		Cash and Investments	
	01-01-04	Receipts	Disbursements	12-31-04
Governmental Funds:				
General	\$ 203,409	\$ 365,436	\$ 389,528	\$ 179,317
Motor Vehicle Highway	35,535	48,773	47,376	36,932
Local Road and Street	7,433	9,714	10,000	7,147
Law Enforcement Continuing Education	61,187	7,998	-	69,185
Rainy Day	-	1,853	-	1,853
Park Donation	12,681	39	-	12,720
Cumulative Capital Improvement	64,355	5,829	-	70,184
Cumulative Capital Development	32,391	11,836	10,457	33,770
Sidewalk Repair	24,761	9,381	10,010	24,132
Dog Control	28	-	-	28
Street and Sign Repair	477	45	-	522
County Court	-	39,314	39,314	-
Police Firearms Training	645	200	56	789
Police and Accident Report	639	18	-	657
Police Donation	823	-	-	823
Police Reserve Donation	74	-	-	74
IDNR Training	117	-	15	102
Town Police Training	1,641	625	300	1,966
Levy Excess	4,176	-	-	4,176
Town Court	59,024	317,147	320,657	55,514
Proprietary Funds:				
Water Utility - Operating	160,795	387,992	352,818	195,969
Water Utility - Depreciation	18,158	3,630	-	21,788
Water Utility - Customer Deposit	5,521	5,500	5,295	5,726
Wastewater Utility - Operating	554,313	933,816	945,171	542,958
Wastewater Utility - Depreciation	120,448	118,074	100,000	138,522
Wastewater Utility - Customer Deposit	5,232	1,475	1,273	5,434
Electric Utility - Operating	1,445,145	2,961,810	2,891,571	1,515,384
Electric Utility - Depreciation	216,060	229,136	228,455	216,741
Electric Utility - Customer Deposit	28,672	21,050	20,613	29,109
Fiduciary Fund:				
Payroll	5,985	504,651	506,010	4,626
Totals	\$ 3,069,725	\$ 5,985,342	\$ 5,878,919	\$ 3,176,148

	Cash and Investments		Cash and Investments	
	01-01-05	Receipts	Disbursements	12-31-05
Governmental Funds:				
General	\$ 179,317	\$ 374,108	\$ 355,317	\$ 198,108
Motor Vehicle Highway	36,932	47,799	12,038	72,693
Local Road and Street	7,147	10,100	5,048	12,199
Law Enforcement Continuing Education	69,185	6,621	-	75,806
Rainy Day	1,853	-	-	1,853
Park Donation	12,720	15	-	12,735
Cumulative Capital Improvement	70,184	4,829	-	75,013
Cumulative Capital Development	33,770	11,238	3,382	41,626
Sidewalk Repair	24,132	1,616	1,990	23,758
Dog Control	28	-	-	28
Street and Sign Repair	522	-	-	522
County Court	-	33,877	33,877	-
Police Firearms Training	789	100	160	729
Police and Accident Report	657	9	-	666
Police Donation	823	-	-	823
Police Reserve Donation	74	-	-	74
IDNR Training	102	-	84	18
Town Police Training	1,966	1,163	300	2,829
Levy Excess	4,176	7,474	-	11,650
Town Court	55,514	295,642	209,110	142,046
Proprietary Funds:				
Water Utility - Operating	195,969	381,269	359,080	218,158
Water Utility - Depreciation	21,788	3,656	-	25,444
Water Utility - Customer Deposit	5,726	5,500	4,942	6,284
Wastewater Utility - Operating	542,958	734,742	748,365	529,335
Wastewater Utility - Depreciation	138,522	118,083	100,000	156,605
Wastewater Utility - Customer Deposit	5,434	1,520	947	6,007
Electric Utility - Operating	1,515,384	2,665,134	2,647,006	1,533,512
Electric Utility - Depreciation	216,741	230,223	235,822	211,142
Electric Utility - Customer Deposit	29,109	21,645	20,107	30,647
Fiduciary Fund:				
Payroll	4,626	473,909	476,301	2,234
Totals	\$ 3,176,148	\$ 5,430,272	\$ 5,213,876	\$ 3,392,544

The accompanying notes are an integral part of the schedules.

TOWN OF THORNTOWN
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, highways and streets, culture and recreation, public improvements, planning and zoning, general administrative services, electric, 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 THORNTOWN
NOTES TO SCHEDULES
(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 THORNTOWN
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town does not have a formal capitalization policy. The Town and Utility capital asset records are not adequate. The records presented for review included items that were no longer on hand, inventory items, and items under assumed capitalization threshold. A similar comment appeared in prior Audit Reports B20015 and B24932.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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 AND DEPOSITS

Receipts are not issued at time monies are received. Of the State Distributions reviewed, 23 of the 36 distributions received in 2004 and all 38 of the distributions received in 2005 were not deposited timely. During review of County distributions, 5 of the 12 were noted as not deposited timely.

The Police Department does not submit receipts to the Clerk-Treasurer on a timely basis. None of the 39 gun permit receipts issued during our examination period were submitted to the Clerk-Treasurer by the end of the next business day.

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)

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."

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder: Peggy Vaughn, Clerk-Treasurer; and Donald Vaughn, Town Court Judge. In addition, there was no bond obtained for Sandy Gates, Utility Bookkeeper. A similar comment appeared in prior Audit Report B24932.

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states, in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF THORNTOWN
EXIT CONFERENCE

The contents of this report were discussed on September 20, 2006, with Peggy Vaughn, Clerk-Treasurer; Gary Jones, President of the Town Board; Donald Vaughn, President of the Utility Service Board; and Sandy Gates, Utilities Office Manager. The officials concurred with our findings.

The contents of this report pertaining to the Police Department were discussed on September 18, 2006, with Jeff Woodard, Town Marshall. The official concurred with our findings.