

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

EXAMINATION REPORT

OF

TOWN OF VEVAY

SWITZERLAND COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED

11/01/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Donna Graham

01-01-04 to 12-31-07

President of the Town Council

James Hayes
Keith Smith
Pete Furnish

01-01-04 to 04-30-05
05-01-05 to 08-31-06
09-01-06 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 VEVAY, SWITZERLAND COUNTY, INDIANA

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

October 2, 2006

TOWN OF VEVAY
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	\$ 243,686	\$ 575,978	\$ 556,444	\$ 263,220
Motor Vehicle Highway	37,258	53,366	40,515	50,109
Local Road and Street	30,995	6,349	-	37,344
Park and Recreation	8,409	10,691	15,033	4,067
Park and Recreation Riverfront Donation	1,228	139,772	143,345	(2,345)
Animal Shelter	204	510	286	428
Law Enforcement Continuing Education	2,965	461	1,543	1,883
Riverboat	961,468	766,334	805,996	921,806
Cemetery Paved Street Donation	1,855	-	-	1,855
Nine West Building	421,887	-	-	421,887
Cumulative Capital Improvement	39,667	6,475	-	46,142
Trash	17,093	72,379	81,905	7,567
Cemetery	14,684	53,402	65,202	2,884
Proprietary Funds:				
Water Utility - Operating	13,006	229,259	204,195	38,070
Water Utility - Bond and Interest	3,500	-	3,500	-
Water Utility - Depreciation	29,387	1,282	29,706	963
Water Utility - Reserve	9,703	-	9,703	-
Water Utility - Customer Deposit	13,625	2,012	225	15,412
Water Utility - Construction	70,014	-	7,756	62,258
Wastewater Utility - Operating	-	298,054	304,573	(6,519)
Wastewater Utility - Bond and Interest	69,050	32,844	32,384	69,510
Wastewater Utility - Depreciation	16,663	33,357	7,805	42,215
Wastewater Utility - Reserve	39,606	-	-	39,606
Wastewater Utility - Customer Deposit	6,482	640	180	6,942
Wastewater Utility - Construction	-	609,793	544,970	64,823
Fiduciary Funds:				
Cemetery Perpetual Care	167,187	4,575	-	171,762
Payroll	1	461,906	461,907	-
Totals	\$ 2,219,623	\$ 3,359,439	\$ 3,317,173	\$ 2,261,889

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 263,220	\$ 441,640	\$ 527,094	\$ 177,766
Motor Vehicle Highway	50,109	54,713	40,947	63,875
Local Road and Street	37,344	6,429	19,482	24,291
Park and Recreation	4,067	16,981	17,828	3,220
Park and Recreation Riverfront Donation	(2,345)	86,075	79,188	4,542
Animal Shelter	428	335	274	489
Law Enforcement Continuing Education	1,883	384	2,057	210
Riverboat	921,806	864,821	403,720	1,382,907
Cemetery Paved Street Donation	1,855	-	-	1,855
Nine West Building	421,887	-	-	421,887
Cumulative Capital Improvement	46,142	5,363	-	51,505
Nonreverting Storm Drain	-	4,983	-	4,983
Trash	7,567	73,240	82,930	(2,123)
Cemetery	2,884	54,413	45,874	11,423
Proprietary Funds:				
Water Utility - Operating	38,070	185,942	192,844	31,168
Water Utility - Depreciation	963	-	-	963
Water Utility - Customer Deposit	15,412	925	135	16,202
Water Utility - Construction	62,258	-	-	62,258
Wastewater Utility - Operating	(6,519)	318,417	310,797	1,101
Wastewater Utility - Bond and Interest	69,510	30,594	52,878	47,226
Wastewater Utility - Depreciation	42,215	82,323	67,208	57,330
Wastewater Utility - Reserve	39,606	-	-	39,606
Wastewater Utility - Customer Deposit	6,942	740	100	7,582
Wastewater Utility - Construction	64,823	112,707	197,366	(19,836)
Fiduciary Funds:				
Cemetery Perpetual Care	171,762	5,962	-	177,724
Payroll	-	491,018	491,018	-
Totals	\$ 2,261,889	\$ 2,838,005	\$ 2,531,740	\$ 2,568,154

The accompanying notes are an integral part of the schedules.

TOWN OF VEVAY
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 (police and fire), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, and urban redevelopment.

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.

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.

TOWN OF VEVAY
NOTES TO SCHEDULES
(Continued)

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 revenue bonds for wastewater improvements. The outstanding principal at December 31, 2005, was \$466,700.

Note 7. Switzerland County Natural Gas Company, Inc.

In 1989, the Town of Vevay received Switzerland County Natural Gas Company, Inc., (Switzco) common stock as a gift from the Paul Ogle Foundation, Inc. The Town owns 533 shares or 26.7% of the 2000 shares of stock outstanding. The following is summarized information from Switzco's audited financial statements at December 31, 2005:

Current Assets	\$ 662,318
Noncurrent Assets	2,209,149
Current Liabilities	877,916
Noncurrent Liabilities	1,840,329
Stockholders' Equity	153,222
Operating Loss	(14,296)
Net Loss	(36,577)
Dividends Paid	-

The above financial information is not included in the Schedule of Receipts, Disbursements, and Cash and Investment Balances.

Note 8. Subsequent Event

In 2006, Holman Excavating was awarded a contract for \$387,444 to provide storm water drainage along Seminary Street. To finance the project the Town received a Community Development Block Grant for \$447,150.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS

ADVANCE PAYMENTS (Applies to Park Board and Town Council)

Dates of transactions indicate that some payments were made to companies or individuals prior to the receipt of goods or services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

The records presented for examination indicated there were no local annual appropriations for the Riverboat Fund and Local Law Enforcement Continuing Education Fund.

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2004	\$ 97,894
General	2005	15,979

In 2004, the Town used the General Fund to receive and disburse funds for a project funded by the Vevay-Switzerland County Foundation. The project was not included in the original General Fund budget. There was no record of additional appropriations in the fund. In 2004, \$120,447 of the General Fund disbursements were for the project.

In 2005, the Fire Protection Contract for \$7,500 and payments to Lifetime Resources Inc., for \$7,500 were paid from the General Fund. These payments were not appropriated in the General Fund because the Town was planning to make these payments from the Riverboat Fund.

Indiana Code 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

DONATIONS (Applies to Town Council)

In 2004 and 2005 the Town paid \$27,000 and \$38,000, respectively, to various not-for-profit organizations from the Riverboat Fund. There were no contracts presented for examination showing what services were provided to the Town.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENT
(Continued)

IC 36-10-2-4 allows a city or town to establish, aid, maintain, and operate libraries and museums, cultural, historical, and scientific facilities and programs, and community service facilities and programs. Further, IC 36-10-2-5 allows a city or town to establish, aid, maintain, and operate neighborhood centers, community centers, civic centers, convention centers, auditoriums, arenas, and stadiums. If a city or town desires to fund one of the aforementioned programs or activities, a contract should be entered into setting out what services are to be provided to the city or town. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2002)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer)

One financial institution returned only optical images of the front side of vendor checks. This same financial institution did not return the payroll canceled checks or provide optical images to the Town.

Indiana Code 5-15-6-3 concerning optical imaging of checks states, in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . . "

Further, Indiana Code 26-2-8-111 states, in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

INVESTMENTS IN CERTIFICATES OF DEPOSIT (Applies to Clerk-Treasurer)

Investments in certificates of deposit have not been redeemed at maturity but have been rolled over at every maturity date. No record of quotes taken for investment in certificates of deposit was available for audit.

TOWN OF VEVA
EXAMINATION RESULTS AND COMMENT
(Continued)

Indiana Code 5-13-9-4(b) states: "The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. A deposit made under this subsection shall be placed in the designated depository quoting the highest rate of interest. If more than one (1) depository submits a quote of the highest interest rate quoted for the investment, the deposit may be placed in any or all of the designated depositories quoting the highest rate in the amount or amounts determined by the investing officer, in the investing officer's discretion."

LOCAL PENSION PLAN (Applies to Town Council)

On December 11, 2000, the Town Council approved a local pension plan covering all full-time Town and utilities employees. WMA Securities was hired to administer the plan. The Town made a lump sum payment to cover past service costs and began paying 3% of each participating full-time employee's salary starting in 2001.

Pursuant to Indiana Code 5-10.2-2-1, a city or town has no authority to establish a local pension plan by ordinance, resolution, or contract after January 1, 1995, without statutory authority. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer, Water and Wastewater Utilities)

The Town and the Utilities do not have detailed 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)

DELINQUENT WASTEWATER ACCOUNTS (Applies to Wastewater Utility)

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;

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENT
(Continued)

- (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 VEVAY
EXIT CONFERENCE

The contents of this report, pertaining to the Park Board, were discussed on September 27, 2006, with Walter Cotton, President of the Park Board. The official concurred with our findings.

The contents of this report were discussed on October 2, 2006, with Donna Graham, Clerk-Treasurer.