

**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

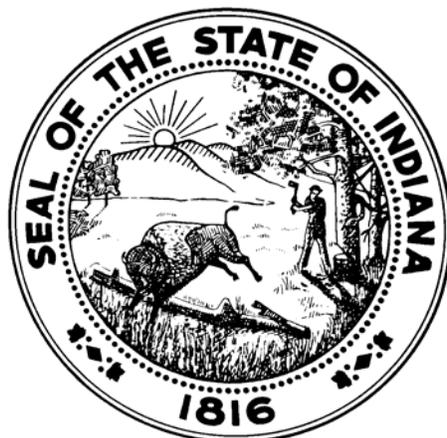
EXAMINATION REPORT

OF

TOWN OF GALVESTON

CASS COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
03/30/2007



TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report .....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information.....	5
Supplementary Information:	
Schedule of Long-Term Debt.....	6
Examination Results and Comments:	
Capital Asset Records .....	7
Ordinances and Resolutions.....	7
Timely Recordkeeping .....	7
Hydrant Rental Receivable .....	7
Transaction Recording.....	8
Customer Deposit Register.....	8
Cash Necessary to Balance, Bank Reconciliations .....	8
Condition of Records .....	8
Penalties, Interest and Other Charges .....	9
Exit Conference.....	10
Official Response .....	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Constance S. Russell	01-01-04 to 12-31-07
President of the Town Council	James Buettner	01-01-05 to 12-31-07
Superintendent of Water Utility	William Young	01-01-05 to 12-31-07
Superintendent of Wastewater Utility	John Roberson	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF GALVESTON, CASS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Galveston (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

The Schedule of Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

February 7, 2007

TOWN OF GALVESTON  
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, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 42,641	\$ 372,418	\$ 325,550	\$ 89,509
Motor Vehicle Highway	1,805	46,268	45,810	2,263
Local Road and Street	42,537	6,662	7,557	41,642
Park and Recreation	34,922	5,858	14,149	26,631
Law Enforcement Continuing Education	6,037	7,297	10,579	2,755
Riverboat	19,348	9,660	9,902	19,106
CEDIT	46,043	27,711	32,608	41,146
Community Center	48,794	10,736	25,080	34,450
Cumulative Capital Improvement	21,216	4,874	14,692	11,398
Operation Pullover	317	1,251	1,174	394
Aviation	102,173	57,369	84,313	75,229
Cumulative Sewer	277,563	134,819	89,024	323,358
Proprietary Funds:				
Water Utility - Operating	2,594	276,299	276,007	2,886
Water Utility - Bond and Interest	59,032	90,645	134,941	14,736
Water Utility - Depreciation	21,365	4,689	18,418	7,636
Water Utility - Customer Deposit	19,922	3,190	2,782	20,330
Wastewater Utility - Operating	23,942	227,965	246,643	5,264
Wastewater Utility - Bond and Interest	35,550	-	-	35,550
Wastewater Utility - Depreciation	46,581	20,333	26,968	39,946
Fiduciary Fund:				
Payroll	297	361,903	360,828	1,372
Totals	<u>\$ 852,679</u>	<u>\$ 1,669,947</u>	<u>\$ 1,727,025</u>	<u>\$ 795,601</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 89,509	\$ 295,157	\$ 348,175	\$ 36,491
Motor Vehicle Highway	2,263	55,787	45,956	12,094
Local Road and Street	41,642	6,386	28,550	19,478
Park and Recreation	26,631	27,787	16,763	37,655
Law Enforcement Continuing Education	2,755	3,031	5,343	443
Riverboat	19,106	9,641	10,128	18,619
CEDIT	41,146	8,351	15,893	33,604
Community Center	34,450	8,980	11,048	32,382
Cumulative Capital Improvement	11,398	5,473	-	16,871
Operation Pullover	394	512	389	517
Aviation	75,229	33,361	46,619	61,971
Cumulative Sewer	323,358	54,752	148,942	229,168
Cops Tech Grant	-	116,205	41,727	74,478
Proprietary Funds:				
Water Utility - Operating	2,886	320,591	313,122	10,355
Water Utility - Bond and Interest	14,736	121,534	93,205	43,065
Water Utility - Depreciation	7,636	6,286	10,375	3,547
Water Utility - Customer Deposit	20,330	2,950	2,785	20,495
Wastewater Utility - Operating	5,264	306,398	250,054	61,608
Wastewater Utility - Bond and Interest	35,550	-	31,650	3,900
Wastewater Utility - Depreciation	39,946	27,120	22,552	44,514
Fiduciary Fund:				
Payroll	1,372	374,645	374,708	1,309
Totals	<u>\$ 795,601</u>	<u>\$ 1,784,947</u>	<u>\$ 1,817,984</u>	<u>\$ 762,564</u>

The accompanying notes are an integral part of the schedules.

TOWN OF GALVESTON  
NOTES TO FINANCIAL INFORMATION

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, water, wastewater 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.

TOWN OF GALVESTON  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	\$ 93,593	\$ 15,755
Bonds payable:		
General obligation bonds:		
Stormwater Project	245,000	15,000
Total governmental activities long-term debt	\$ 338,593	\$ 30,755
Business-type Activities:		
Water Utility		
Revenue bonds:		
Water Utility construction and extension	\$ 383,500	\$ 29,500
Wastewater Utility		
Revenue bonds:		
Wastewater SRF Loan	450,000	18,000
Total business-type activities long-term debt:	\$ 833,500	\$ 47,500

TOWN OF GALVESTON  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain sufficient detailed records of capital assets. Upon purchase, the costs of the capital assets are recorded as an expense in the water and wastewater simplified cash journals. Records providing historical costs for some of the Water and Wastewater Utilities' capital assets are not available, and records classifying and summarizing these assets are incomplete. Deletions or disposals of capital assets are not recorded. A similar comment appeared in the prior Reports B22844 and B26601.

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. 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)

ORDINANCES AND RESOLUTIONS

Transfers from the Water Operating account were not sufficient to meet the requirements of Ordinance 78-2. Transfers from the Wastewater Operating Account were not sufficient to meet the requirements of Ordinance 2003-4.

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)

TIMELY RECORDKEEPING

We noted instances of four months passing, from the time of the original date of the transactions until entry on the records. There was a similar comment in the prior Report B26601.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Galveston owes the Water Utility hydrant rental of \$5,200, for the years 2003, 2004, 2005, and 2006, for a total of \$20,800, pursuant to an amendment of Rate Ordinance 98-1 passed by the Council on March 6, 2000, and Rate Ordinance 2006-3 passed by Council on May 1, 2006. This is a result of the Clerk-Treasurer continuing to pay \$158.39 per hydrant, at the old rate, instead of \$236.00 per hydrant, under the new rate.

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)

TOWN OF GALVESTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

TRANSACTION RECORDING

Some items, such as local tax distributions, were not entered in the records of the Town.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was in the prior Report B26601.

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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS

A comparison of the records to the bank account indicated cash necessary to balance of \$29,409.85. Depository reconciliations of the fund balances to the bank account balances (for the Town) presented for examination were incorrect. A similar comment was in the prior Report B26601.

At all times, the manual and/or 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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Payroll Fund. The records presented did not provide sufficient information to examination or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions. A similar comment was in the prior Report B26601. There were also a number of posting errors. These errors included checks not posted and receipts not posted.

At all times, the manual and/or 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)

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)

TOWN OF GALVESTON  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$125.56 were paid to the Internal Revenue Service on October 19, 2005, for the second quarter payroll tax withholdings in 2005.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF GALVESTON  
EXIT CONFERENCE

The contents of this report were discussed on February 7, 2007, with Constance S. Russell, Clerk-Treasurer; and James Buettner, President of the Town Council. The official response has been made a part of this report and may be found on page 11.

OFFICIAL RESPONSE

March 20, 2007

State Board of Accounts  
302 W. Washington St. Room E418  
Indianapolis, Indiana 46204-2765

Re: Exit Conference of Town of Galveston Audit 2005-2006

To Whom It May Concern;

I have chosen option no. 4 in our Exit Conference; to file an official response to the results and comments to be added to the final report.

1. The Town has never maintained a detailed record of capital assets other than the equipment. We have the capital assets ledger that contains all the equipment of the Town that cost over \$5,000.00.
2. It was stated that my records were not finished in a timely manner. The auditor came on January 17<sup>th</sup>. I did not have the year end finished due to other duties that needed to be done. (W-3's, board meeting, paying bills etc) I was given a deadline by the auditor on when to have them finished and they were finished on that date.
3. In the last audit, a comparison of the records to the bank account indicated cash necessary to balance was \$25,129.05. This is an error of over posting in ledger of years 2003-2004. This is the time when I was off work for multiple surgeries and I am still trying to find this error. This is the reason for the present audit to be off also.

*Constance S. Russell*

Signed this 20<sup>th</sup> day of March, 2007  
By Constance S Russell  
Clerk-Treasurer  
Town of Galveston