

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

EXAMINATION REPORT
OF
TOWN OF ZANESVILLE
WELLS COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
04/18/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Stacey L. Dunn
Julie A. Christian

01-01-03 to 12-31-06
01-01-07 to 12-31-10

President of the Town Council

Patsy A. Brock

01-01-05 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ZANESVILLE, WELLS COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Zanesville (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.

STATE BOARD OF ACCOUNTS

March 14, 2007

TOWN OF ZANESVILLE
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	\$ 17,588	\$ 48,870	\$ 56,282	\$ 10,176
Motor Vehicle Highway	37,980	18,314	17,747	38,547
Local Road and Street	1,919	3,338	-	5,257
Police Grant	314	-	-	314
Festival	477	392	101	768
Riverboat	3,803	3,796	-	7,599
Fire	(4,026)	12,869	11,917	(3,074)
Rainy Day	1,011	-	-	1,011
Cumulative Capital Improvement	1,371	1,861	-	3,232
Cumulative Capital Development	54	5,737	4,275	1,516
Economic Development Income Tax	41,539	9,825	10,505	40,859
Proprietary Fund:				
Wastewater Utility - Operating	4,436	241,317	178,625	67,128
Fiduciary Fund:				
Gift	179	-	-	179
Totals	<u>\$ 106,645</u>	<u>\$ 346,319</u>	<u>\$ 279,452</u>	<u>\$ 173,512</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 10,176	\$ 79,708	\$ 74,559	\$ 15,325
Motor Vehicle Highway	38,547	22,060	27,081	33,526
Local Road and Street	5,257	3,232	6,384	2,105
Police Grant	314	-	314	-
Festival	768	-	-	768
Riverboat	7,599	3,788	-	11,387
Fire	(3,074)	18,353	6,442	8,837
Rainy Day	1,011	-	1,011	-
Cumulative Capital Improvement	3,232	1,131	3,232	1,131
Cumulative Capital Development	1,516	4,773	1,968	4,321
Economic Development Income Tax	40,859	9,043	60,000	(10,098)
Levy Excess	-	795	-	795
Proprietary Fund:				
Wastewater Utility - Operating	67,128	269,031	288,548	47,611
Fiduciary Fund:				
Gift	179	-	179	-
Totals	<u>\$ 173,512</u>	<u>\$ 411,914</u>	<u>\$ 469,718</u>	<u>\$ 115,708</u>

The accompanying notes are an integral part of the schedules.

TOWN OF ZANESVILLE
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, general administrative services 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. Subsequent Event

On February 15, 2007, Town Council adopted Ordinance 2007-001 increasing the monthly charge for sanitary sewer service to \$60, effective March 1, 2007.

TOWN OF ZANESVILLE
EXAMINATION RESULTS AND COMMENTS

EXCESSIVE OR UNREASONABLE COSTS

The Wastewater Utility (Utility) paid bank charges of \$250 in 2006 for overdrawn bank accounts. On November 16, 2006, Stacey L. Dunn, former Clerk-Treasurer, reimbursed the Utility \$175 for these charges. A similar comment appeared in prior Report B26229.

Two checks issued to a vendor in November 2006 were not cashed by the bank due to nonsufficient funds (NSF). This resulted in NSF fees of \$50 being added to the Utility's account by the vendor.

During 2006, the Utility became delinquent in payments to a local contractor. Finance charges at an annual rate of 18% were assessed against the unpaid balance. Total finance charges through December 31, 2006, were \$1,967. The total unpaid balance due the contractor, including finance charges, at December 31, 2006, was \$12,522.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Stacey L. Dunn, former Clerk-Treasurer, reimbursed the Utility \$75 for bank charges (net of the amount already reimbursed), and \$50 for NSF fees on March 14, 2007.

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$24.99 were paid to the Internal Revenue Service and \$96.17 to the Indiana Department of Revenue during the examination period. The penalties and interest were for late payment of payroll withholding taxes. A similar comment appeared in prior Report B26229.

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)

Stacey L. Dunn, former Clerk-Treasurer, reimbursed the Town \$121.16 on March 14, 2007.

OVERDRAWN CASH BALANCES

The cash balance of the Fire Fund was overdrawn \$3,074 at December 31, 2005. The cash balance of the Economic Development Income Tax Fund was overdrawn \$10,098 at December 31, 2006.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ZANESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Reconciliations of the fund balances to the bank account balances were incorrect. Outstanding check lists were incomplete. Deposits made and checks issued were not always posted to the Town records. A similar comment appeared in prior Report B26229.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

RECEIPT ISSUANCE

Receipts (Town Form 217) were either incomplete or were not being issued to record receipts received by the Town. Data (date, fund, reason) on receipts issued was missing. The form was not pre-numbered by the printer. Duplicate copies of receipts issued that remained in the receipt book, were not carbon copies, but were written in ink. A similar comment appeared in prior Report B26229

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)

CORRECTION OF ERRORS

The following State tax distributions, county tax distributions and wastewater collections were receipted into the wrong fund:

<u>Year</u>	<u>Source</u>	<u>Amount</u>	<u>Fund Posted To</u>	<u>Correct Fund</u>
2006	Cigarette Tax	\$ 1,019.34	General	Cumulative Capital Improvement
2006	Cigarette Tax	278.00	Cumulative Capital Development	General
2006	License Excise Tax	97.67	General	Cumulative Capital Development
2006	License Excise Tax	186.49	General	Fire
2006	License Excise Tax	45.48	General	Cumulative Capital Development
2006	License Excise Tax	97.67	General	Cumulative Capital Development
2006	Property Tax	272.60	General	Cumulative Capital Development
2006	Delinquent Sewer	3,861.77	General	Wastewater Operating

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF ZANESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DEPOSITS

Receipts were not deposited timely during the examination period. Checks from the Wells County Treasurer, dated November 2, 2006, for \$1,636 for county economic development tax, and dated November 6, 2006, for \$4,799 for county adjusted income tax, were not deposited until January 4, 2007.

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."

APPROPRIATIONS

Expenditures exceeded budgeted appropriations for the General Fund in 2006 by \$13,860.

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."

SUPPORTING DOCUMENTATION

Payments were observed which did not contain any supporting documentation, such as receipts, invoices, and other public records. "Accounts Payable Voucher" (Town Form 39), when available, were not filed in numerical order.

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

The annual report for 2004 was published March 9, 2005. The annual report for 2005 was not published. A similar comment appeared in prior Report B26229.

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 . . ."

INTERNAL CONTROLS - WASTEWATER UTILITY ACCOUNTS RECEIVABLE

Controls over the accounts receivable of the Wastewater Utility are insufficient. No control account is used to monitor the end-of-month balances of the routine customer billings or the delinquent account liens certified to the Allen and Wells County Auditors. A similar comment appeared in prior Report B26229.

TOWN OF ZANESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

Gross revenues were not being distributed to the various utility funds in accordance with Revenue Bond Ordinance 1995-5. The Bond and Interest Fund, Debt Reserve Fund and Improvement Fund were not established and, therefore, were not being funded. A similar comment appeared in prior Report B26229.

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)

CAPITAL ASSETS – CAPITALIZATION POLICY

The Town has no formal policy for establishing the threshold at which capital assets are to be recorded. A similar comment appeared in prior Report B26229.

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)

CAPITAL ASSET RECORDS

The Town does not maintain capital asset records. A similar comment appeared in prior Report B26229.

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)

PRESCRIBED FORMS

The following prescribed forms were not in use during the examination period:

1. Accounts Payable Voucher Register (General Form 364);
2. Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209);
3. Ledger of Receipts, Disbursements and Balances (City and Town Form 208);
4. Clerk-Treasurer's, City Controller's and City Treasurer's Monthly Financial, Depository Statement and Cash Reconciliation (City and Town Form 206);

TOWN OF ZANESVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

5. Payroll Schedule and Voucher (General Form 99);
6. Treasurer's Daily Balance of Cash, Depositories and Investments (City and Town Form 212);
7. Simplified Cash Journal - Wastewater Utility (Utility Form 323); and
8. Mileage Claim (General Form 101)

Officials were using alternate, self-created electronic worksheets in lieu of prescribed or approved forms. A similar comment appeared in prior Report B26229.

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 ZANESVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2007, with Julie A. Christian, Clerk-Treasurer; Stacey L. Dunn, former Clerk-Treasurer; Patsy A. Brock, President of the Town Council; John Schuhmacher, Council member; and Danny Miller, Council member.