

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

EXAMINATION REPORT

OF

TOWN OF SHOALS

MARTIN COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

07/31/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Wanda Howell
Claudette Franklin

01-01-04 to 05-30-07
05-31-07 to 12-31-07

President of the
Town Council

William Hardwick
Robert Abel

01-01-05 to 09-12-06
09-13-06 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 SHOALS, MARTIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Shoals (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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

June 05, 2007

TOWN OF SHOALS
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	\$ 52,598	\$ 337,551	\$ 260,449	\$ 129,700
Motor Vehicle Highway	4,252	54,386	45,270	13,368
Local Road and Street	1,410	4,257	-	5,667
Law Enforcement Continuing Education	4,086	999	695	4,390
Rainy Day	-	4,945	-	4,945
Park and Recreation Donation	828	-	-	828
Flower Donation	67	-	19	48
Cumulative Capital Improvement	2,659	2,495	-	5,154
Economic Development Income Tax	47,235	15,097	4,945	57,387
Proprietary Funds:				
Water Utility - Operating	46,362	108,272	126,746	27,888
Water Utility - Depreciation	87,705	8,548	36,366	59,887
Water Utility - Customer Deposit	23,389	4,807	4,606	23,590
Wastewater Utility - Operating	78,914	165,625	149,171	95,368
Wastewater Utility - Bond and Interest	16,525	41,680	38,865	19,340
Wastewater Utility - Debt Reserve	4,672	3,504	-	8,176
Fiduciary Funds:				
Cemetery Trust	1,500	-	-	1,500
Payroll	656	158,767	159,423	-
Totals	<u>\$ 372,858</u>	<u>\$ 910,933</u>	<u>\$ 826,555</u>	<u>\$ 457,236</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 129,700	\$ 288,802	\$ 257,407	\$ 161,095
Motor Vehicle Highway	13,368	57,814	43,511	27,671
Local Road and Street	5,667	4,129	8,000	1,796
Law Enforcement Continuing Education	4,390	220	84	4,526
Rainy Day	4,945	-	3,000	1,945
Park and Recreation Donation	828	-	-	828
Flower Donation	48	50	-	98
Levy Excess	-	8,130	-	8,130
Cumulative Capital Improvement	5,154	2,883	6,000	2,037
Economic Development Income Tax	57,387	16,804	-	74,191
Proprietary Funds:				
Water Utility - Operating	27,888	586,631	599,677	14,842
Water Utility - Depreciation	59,887	8,426	57,026	11,287
Water Utility - Customer Deposit	23,590	4,400	2,505	25,485
Wastewater Utility - Operating	95,368	165,486	130,395	130,459
Wastewater Utility - Bond and Interest	19,340	33,600	31,983	20,957
Wastewater Utility - Debt Reserve	8,176	3,504	-	11,680
Fiduciary Funds:				
Cemetery Trust	1,500	-	-	1,500
Payroll	-	160,509	160,509	-
Totals	<u>\$ 457,236</u>	<u>\$ 1,341,388</u>	<u>\$ 1,300,097</u>	<u>\$ 498,527</u>

The accompanying notes are an integral part of the schedules.

TOWN OF SHOALS
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, highways and streets, culture and recreation, and 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.

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 SHOALS
NOTES TO FINANCIAL INFORMATION
(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.

Robert Abel
President

Town of Shoals

Marilyn Hardwick
Member

Roger Abel
Vice-President

P.O. BOX 1078
SHOALS, INDIANA 47581
TELEPHONE (812) 247-2110
FAX (812) 247-3690

Claudette Franklin
Clerk-Treasurer

TOWN OF SHOALS SUPPLEMENTARY INFORMATION SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2006

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Town:	
Land	\$ 22,350
Buildings	79,560
Improvements other than buildings	36,013
Machinery and equipment	369,832
Transportation equipment	<u>14,750</u>
Total capital assets - Town	<u>\$ 522,505</u>
Water Utility:	
Land	\$ 1,000
Buildings	3,811
Improvements other than buildings	1,536,800
Machinery and equipment	52,185
Transportation equipment	<u>11,995</u>
Total capital assets - Water Utility	<u>\$ 1,605,791</u>
Waterwater Utility:	
Land	\$ 30,708
Improvements other than buildings	3,186,133
Machinery and equipment	73,646
Transportation equipment	<u>3,000</u>
Total capital assets - Wastewater Utility	<u>\$ 3,293,487</u>

Robert Abel
President

Town of Shoals

Marilyn Hardwick
Member

Roger Abel
Vice-President

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Clerk-Treasurer

TOWN OF SHOALS
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Wastewater Utility:		
Bonds payable:		
Revenue bonds:		
2003 Wastewater Improvement Project	\$ <u>688,000</u>	\$ <u>1,000</u>

TOWN OF SHOALS, MARTIN COUNTY
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

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."

A similar comment appeared in prior Report B25616.

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. . . ."

A similar comment appeared in prior Report B25616.

TOWN OF SHOALS, MARTIN COUNTY
EXAMINATION RESULTS AND COMMENTS
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

A similar comment appeared in prior Report B25616.

ERRORS ON CLAIMS

During the review of claims, all claims tested did not have board approval.

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."

A similar comment appeared in prior Report B25616.

TOWN OF SHOALS
EXIT CONFERENCE

The contents of this report were discussed on June 5, 2007, with Claudette Franklin, Clerk-Treasurer; and Robert Abel, President of the Town Council. The officials concurred with our findings.