

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

EXAMINATION REPORT

OF

TOWN OF ROCKVILLE

PARKE COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED
07/31/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Imogene Rahn	01-01-04 to 12-31-07
President of the Town Council	Lona Lucas	01-01-05 to 12-31-07
Superintendent of the Utilities	James Taylor	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 ROCKVILLE, PARKE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Rockville (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

June 11, 2007

TOWN OF ROCKVILLE
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	\$ 16,074	\$ 533,714	\$ 496,195	\$ 53,593
Motor Vehicle Highway	31,025	207,243	204,504	33,764
Local Road and Street	2,101	9,902	-	12,003
Park and Recreation	73,316	24,556	32,647	65,225
Law Enforcement Continuing Education	6,067	233	605	5,695
Police Miscellaneous	27,655	1,427	3,114	25,968
Cemetery	13,923	45,332	38,623	20,632
Cemetery Permanent Care	38,508	895	387	39,016
Swimming Pool	98,872	21,636	25,109	95,399
Urban Development	65,522	1,164	-	66,686
Cumulative Capital Improvement	110,731	43,350	44,622	109,459
Cumulative Capital Development	202,662	88,001	18,943	271,720
Levy Excess	-	8,513	-	8,513
Proprietary Funds:				
Water Utility - Operating	12,706	579,862	632,283	(39,715)
Water Utility - Bond and Interest	103,098	122,195	155,948	69,345
Water Utility - Debt Service	155,457	75,744	-	231,201
Water Utility - Customer Deposit	26,436	4,192	2,880	27,748
Water Utility - Improvement	142,154	16,000	5,884	152,270
Wastewater Utility - Operating	479,549	577,756	700,634	356,671
Wastewater Utility - Bond and Interest	294,761	129,376	77,728	346,409
Wastewater Utility - Debt Service	216,506	19,069	-	235,575
Wastewater Utility - Construction	121,905	611	-	122,516
Wastewater Utility - Improvement	133,281	12,000	-	145,281
Electric Utility - Operating	1,999,297	2,174,374	2,583,256	1,590,415
Electric Utility - Depreciation	878,471	111,882	27,086	963,267
Electric Utility - Customer Deposit	198,421	22,185	17,008	203,598
Electric Utility - Cash Reserve	473,180	42,000	60,000	455,180
Fiduciary Funds:				
Retainage Accounts	45,720	41	45,761	-
Payroll	12,451	288,049	274,388	26,112
Totals	<u>\$ 5,979,849</u>	<u>\$ 5,161,302</u>	<u>\$ 5,447,605</u>	<u>\$ 5,693,546</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 53,593	\$ 655,185	\$ 502,200	\$ 206,578
Motor Vehicle Highway	33,764	265,713	203,041	96,436
Local Road and Street	12,003	9,534	-	21,537
Park and Recreation	65,225	15,345	20,146	60,424
Law Enforcement Continuing Education	5,695	312	3,155	2,852
Police Miscellaneous	25,968	4,313	13,898	16,383
Cemetery	20,632	132,478	61,341	91,769
Cemetery Permanent Care	39,016	853	411	39,458
Swimming Pool	95,399	15,044	67,580	42,863
Urban Development	66,686	1,316	10,982	57,020
Cumulative Capital Improvement	109,459	12,788	-	122,247
Cumulative Capital Development	271,720	97,708	19,487	349,941
Levy Excess	8,513	-	-	8,513
Proprietary Funds:				
Water Utility - Operating	(39,715)	621,303	594,472	(12,884)
Water Utility - Bond and Interest	69,345	197,183	179,383	87,145
Water Utility - Debt Service	231,201	116,452	137,071	210,582
Water Utility - Customer Deposit	27,748	4,350	2,675	29,423
Water Utility - Improvement	152,270	-	94,778	57,492
Wastewater Utility - Operating	356,671	596,117	680,576	272,212
Wastewater Utility - Bond and Interest	346,409	127,343	175,363	298,389
Wastewater Utility - Debt Service	235,575	17,515	16,373	236,717
Wastewater Utility - Construction	122,516	615	-	123,131
Wastewater Utility - Improvement	145,281	12,000	112,447	44,834
Electric Utility - Operating	1,590,415	2,289,671	2,645,152	1,234,934
Electric Utility - Depreciation	963,267	123,141	287,905	798,503
Electric Utility - Customer Deposit	203,598	32,853	16,251	220,200
Electric Utility - Cash Reserve	455,180	59,156	81,662	432,674
Fiduciary Fund:				
Payroll	26,112	284,954	292,913	18,153
Totals	<u>\$ 5,693,546</u>	<u>\$ 5,693,242</u>	<u>\$ 6,219,262</u>	<u>\$ 5,167,526</u>

The accompanying notes are an integral part of the financial information.

TOWN OF ROCKVILLE
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, electric 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 ROCKVILLE
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.

Note 7. US 41 Project

The Town has entered into a contractual agreement with the Indiana Department of Transportation for the relocation of utility services along US Highway 41. The Department of Transportation is widening the highway and will be reimbursing the Town for part of the cost of the relocation. The agreement is written as a vendor contract rather than a grant. Expected reimbursement under the contract is \$700,584. The total relocation project is estimated to cost \$975,500.

TOWN OF ROCKVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Governmental Activities:		
Notes and loans payable	<u>\$ 192,888</u>	<u>\$ 18,851</u>
Business-type Activities:		
Water Utility		
Water Improvement SRF	<u>\$ 2,240,000</u>	<u>\$ 39,424</u>
Wastewater Utility		
Capital leases:		
Truck	291,450	51,573
Revenue bonds:		
1998 Sewer Improvement	164,000	24,378
2000 Sewer Improvement	<u>1,635,091</u>	<u>112,562</u>
Total Wastewater Utility	<u>2,090,541</u>	<u>188,513</u>
Total business-type activities long-term debt:	<u>\$ 4,330,541</u>	<u>\$ 227,937</u>

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Swimming Pool	2006	<u>\$ 8,853</u>

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."

OVERDRAWN FUND BALANCES

The Water Operating Fund was overdrawn in 2005 and 2006.

The fund 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)

FUND SOURCES AND USES

Funds were disbursed from the Electric Utility Operating Fund for the salaries of two Cemetery workers. The Town officials justified this by stating that the employees performed utility work when not busy at the Cemetery.

Funds were disbursed from the Electric Utility Operating Fund for the entire salary of one office person whose salary should have been split equally between Utilities.

A street sweeper was purchased from Electric Utility funding.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT ACCOUNTS RECEIVABLE

Ordinance 2004-686 established the shut-off policy for delinquent customers. The Utility did not always shut off delinquent customers as required by the ordinance.

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)

CUSTOMER DEPOSIT REGISTER

As previously stated in Report B25473, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the fund ledger.

Four of fifteen customer deposit refunds tested were not posted to the customer deposit register.

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)

CAPITAL ASSET RECORDS

Disposals of capital assets are not being recorded. When the Town disposes of a capital asset, the cost of the asset and the related accumulated depreciation should also be recorded in the records as deletions.

Five qualifying purchases during the audit period were not entered as capital assets.

Items are listed along with original cost, but are not extended into appropriate categorization columns.

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)

TOWN OF ROCKVILLE
EXIT CONFERENCE

The contents of this report were discussed on June 11, 2007, with Lona Lucas, President of the Town Council; Carol S. Keller, Deputy Clerk-Treasurer; and Imogene Rahn, Clerk-Treasurer. The officials concurred with our findings.