

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

EXAMINATION REPORT  
OF  
TOWN OF HAGERSTOWN  
WAYNE COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
08/23/2007



## 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 .....	4-5
Notes to Financial Information.....	6-7
Supplementary Information:	
Schedule of Capital Assets .....	8
Schedule of Long-Term Debt.....	9
Examination Results and Comments:	
Condition of Records – Town Court.....	10
Separate Bank Accounts .....	10
Customer Deposit Register.....	11
Penalties, Interest and Other Charges .....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Nicholas Jarrett	01-01-04 to 12-31-07
President of the Town Council	Peggy Cenova	01-01-05 to 12-31-07
Superintendent of Utilities	Carl Gideon	01-01-05 to 12-31-07
Town Judge	Susan Bell	01-01-04 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 HAGERSTOWN, WAYNE COUNTY, INDIANA

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

July 3, 2007

TOWN OF HAGERSTOWN  
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	\$ 832,608	\$ 781,553	\$ 656,224	\$ 957,937
Motor Vehicle Highway	66,853	97,872	66,074	98,651
Local Road and Street	37,480	14,454	37,291	14,643
Park and Recreation	31,809	120,310	88,163	63,956
Law Enforcement Continuing Education	5,457	609	934	5,132
Firearms Training	209	-	209	-
Cemetery	95,213	13,468	47,072	61,609
Ruth Dutro	39,983	-	-	39,983
Dora Mason Cemetery Trust	2,954	-	-	2,954
Park Special	3,118	500	-	3,618
Fire Loss	1,152	-	1,152	-
Alcohol and Drug Service Program	69	-	69	-
E. B. Bruner Legacy	7,031	-	-	7,031
Airport Special	143	-	143	-
Airport	47,344	9,370	8,233	48,481
Housing Grant	7,922	-	-	7,922
Criminal Justice Grant	(621)	621	-	-
Jordan Cemetery Bequest	511	-	-	511
Residential Sidewalk	763	2,258	2,258	763
Miller Cemetery Bequest	11,444	309	-	11,753
Fire Department Donation	13,241	9,185	9,752	12,674
Downtown Grant	15,103	-	-	15,103
Fire Department Grant	2,378	-	-	2,378
Jayne Miller Park Bequest	29,182	22,022	24,162	27,042
Court Document Storage	17,526	6,734	-	24,260
Court Deferral	729	28,035	27,957	807
Safe Driving Grant	1,060	1,550	1,282	1,328
Unsafe Building	25,000	-	25,000	-
Rainy Day	29,240	25,000	-	54,240
Local Law Enforcement Grant	8,140	-	8,140	-
Miscellaneous Short Term	163	-	-	163
Police Department Donation	5,000	-	-	5,000
Economic Development Income Tax	251,652	32,549	-	284,201
Cumulative Capital Improvement	173,252	8,946	15,400	166,798
Cumulative Capital Improvement - Town Levy	129,018	31,660	-	160,678
Proprietary Funds:				
Electric Utility - Operating	367,135	1,815,622	1,785,719	397,038
Electric Utility - Depreciation	62,090	43,286	62,366	43,010
Electric Utility - Customer Deposit	20,166	4,150	276	24,040
Electric Utility - Improvement	102,376	-	-	102,376
Water Utility - Operating	36,983	283,189	248,206	71,966
Water Utility - Depreciation	(50)	54,143	10,220	43,873
Water Utility - Customer Deposit	6,083	1,915	130	7,868
Water Utility - Improvement	4,659	-	-	4,659
Wastewater Utility - Operating	139,203	526,017	555,929	109,291
Wastewater Utility - Bond and Interest	3,278	232,809	228,223	7,864
Wastewater Utility - Depreciation	82,782	1,297	76,646	7,433
Wastewater Utility - Construction	50,348	-	-	50,348
Wastewater Utility - Sinking Reserve	208,420	6,107	-	214,527
Fiduciary Funds:				
Court Costs Due County	24,152	48,472	48,472	24,152
User Fee Law Enforcement Continuing Education	31,821	10,473	11,205	31,089
Levy Excess Fund	21,324	-	-	21,324
Town Court	24,908	504,723	455,574	74,057
Payroll	12,544	247,660	249,373	10,831
Totals	<u>\$ 3,090,348</u>	<u>\$ 4,986,868</u>	<u>\$ 4,751,854</u>	<u>\$ 3,325,362</u>

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

TOWN OF HAGERSTOWN  
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  
(Continued)

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 957,937	\$ 804,089	\$ 771,112	\$ 990,914
Motor Vehicle Highway	98,651	118,662	112,969	104,344
Local Road and Street	14,643	17,204	22,570	9,277
Park and Recreation	63,956	126,897	88,559	102,294
Law Enforcement Continuing Education	5,132	950	80	6,002
Cemetery	61,609	15,977	57,149	20,437
Ruth Dutro	39,983	-	-	39,983
Dora Mason Cemetery Trust	2,954	-	-	2,954
Park Special	3,618	-	-	3,618
E. B. Bruner Legacy	7,031	-	-	7,031
Airport	48,481	10,343	10,918	47,906
Housing Grant	7,922	-	-	7,922
Jordan Cemetery Bequest	511	-	-	511
Residential Sidewalk	763	606	606	763
Miller Cemetery Bequest	11,753	518	-	12,271
Fire Department Donation	12,674	1,107	879	12,902
Downtown Grant	15,103	-	-	15,103
Fire Department Grant	2,378	-	-	2,378
Jayne Miller Park Bequest	27,042	19,527	12,891	33,678
Court Document Storage	24,260	6,272	-	30,532
Court Deferral	807	16,940	16,940	807
Safe Driving Grant	1,328	2,050	2,248	1,130
Rainy Day	54,240	120,000	-	174,240
Miscellaneous Short Term	163	9,699	9,699	163
Police Department Donation	5,000	860	3,445	2,415
Town Revolving Fund	-	177,695	40,000	137,695
Economic Development Income Tax	284,201	39,238	181,277	142,162
Cumulative Capital Improvement	166,798	13,527	3,100	177,225
Cumulative Capital Improvement - Town Levy	160,678	33,632	-	194,310
Proprietary Funds:				
Electric Utility - Operating	397,038	2,116,681	2,072,965	440,754
Electric Utility - Depreciation	43,010	131,443	132,844	41,609
Electric Utility - Customer Deposit	24,040	6,765	4,587	26,218
Electric Utility - Improvement	102,376	-	-	102,376
Water Utility - Operating	71,966	302,229	289,168	85,027
Water Utility - Depreciation	43,873	60,000	30,782	73,091
Water Utility - Customer Deposit	7,868	3,400	1,750	9,518
Water Utility - Improvement	4,659	-	-	4,659
Wastewater Utility - Operating	109,291	537,073	492,271	154,093
Wastewater Utility - Bond and Interest	7,864	227,362	223,420	11,806
Wastewater Utility - Depreciation	7,433	11,389	600	18,222
Wastewater Utility - Construction	50,348	-	-	50,348
Wastewater Utility - Sinking Reserve	214,527	10,257	11,389	213,395
Fiduciary Funds:				
Court Costs Due County	24,152	44,184	24,108	44,228
User Fee Law Enforcement Continuing Education	31,089	9,696	10,048	30,737
Levy Excess Fund	21,324	-	-	21,324
Town Court	74,057	434,275	458,245	50,087
Payroll	10,831	254,241	254,734	10,338
Totals	<u>\$ 3,325,362</u>	<u>\$ 5,684,788</u>	<u>\$ 5,341,353</u>	<u>\$ 3,668,797</u>

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

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

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 HAGERSTOWN  
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.

TOWN OF HAGERSTOWN  
 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.

There were no General infrastructure assets completed in the current and prior years that have been reported.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 73,400
Buildings	165,887
Improvements other than buildings	443,778
Machinery and equipment	<u>1,105,169</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 1,788,234</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 37,336
Buildings	213,538
Improvements other than buildings	876,138
Machinery and equipment	<u>991,082</u>
Total Water Utility capital assets	<u>2,118,094</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,899
Buildings	3,180,961
Improvements other than buildings	499,204
Machinery and equipment	<u>570,722</u>
Total Wastewater Utility capital assets	<u>4,277,786</u>
Electric Utility:	
Capital assets, not being depreciated:	
Land	17,367
Buildings	202,254
Improvements other than buildings	891,942
Machinery and equipment	<u>1,128,805</u>
Total Electric Utility capital assets	<u>2,240,368</u>
Total business-type activities capital assets	<u>\$ 8,636,248</u>

TOWN OF HAGERSTOWN  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Asset	Ending Balance	Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Wastewater treatment facility	<u>\$ 1,380,000</u>	<u>\$ 175,000</u>

TOWN OF HAGERSTOWN  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS - TOWN COURT

The financial records of the Town Court are maintained using a computer program that did not function properly during the period examined. As a result, some fees that were collected by the Court were not distributed to the state, county, and town as required by various state statutes authorizing the collection of the fees by the Court. The Court Clerk has investigated the problem with the computer program and distributed some unremitted funds in November 2006. There are still some unremitted fees in the Town Court bank account. However, we were unable to determine an exact amount of unremitted funds.

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)

SEPARATE BANK ACCOUNTS

Electric Utility funds, Water Utility funds and Wastewater Utility funds were accounted for in the bank account of the Town.

When two or more governmental units are authorized by statute to have the same fiscal officer, there should be separate bank accounts and accounting records for each governmental unit unless authorized by statute, appropriate federal or state rule or regulation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF HAGERSTOWN  
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)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$373.04 were paid to the Indiana Department of Revenue for Payroll withholdings for the period ending June 30, 2006.

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 HAGERSTOWN  
EXIT CONFERENCE

The first Examination Result and Comment of this report (Condition of Records – Town Court) was discussed on July 3, 2007, with Susan Bell, Town Judge; Carolyn Shiebla, Town Court Clerk; and Peggy Genova, President of the Town Council. The officials concurred with this finding.

The remaining Examination Results and Comments of this report were discussed on July 3, 2007, with Nicholas Jarrett, Clerk-Treasurer; and Peggy Genova, President of the Town Council.