

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

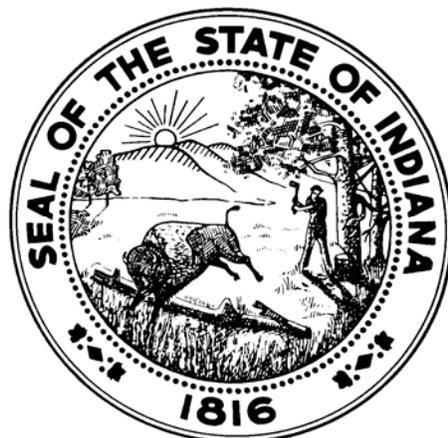
EXAMINATION REPORT

OF

TOWN OF CLIFFORD

BARTHOLOMEW COUNTY, INDIANA

January 1, 2000 to December 31, 2006



FILED

09/19/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Joyce Sessions	05-14-99 to 12-31-06
	Vacant	01-01-07 to 03-04-07
	Marcia Mitchell	03-05-07 to 12-31-07
President of the Town Council	Rex Goldsmith	01-01-00 to 12-31-05
	Billy R. Bohannon	01-01-06 to 12-31-06
	Danny James	01-01-07 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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CLIFFORD, BARTHOLOMEW COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Clifford (Town), for the period of January 1, 2000 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, 2000, 2001, 2002, 2003, 2004, 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

July 26, 2007

TOWN OF CLIFFORD
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
GOVERNMENTAL FUND TYPE
As Of And For The Years Ended December 31, 2000, 2001, 2002, 2003, 2004, 2005, And 2006

Governmental Fund: General	Cash and Investments 01-01-00	Receipts	Disbursements	Cash and Investments 12-31-00
	\$ 76,843	\$ 50,496	\$ 28,383	\$ 98,956
Governmental Fund: General	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
	\$ 98,956	\$ 33,540	\$ 49,105	\$ 83,391
Governmental Fund: General	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
	\$ 83,391	\$ 33,170	\$ 45,836	\$ 70,725
Governmental Fund: General	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
	\$ 70,725	\$ 35,271	\$ 48,136	\$ 57,860
Governmental Fund: General	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
	\$ 57,860	\$ 29,607	\$ 47,348	\$ 40,119
Governmental Fund: General	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
	\$ 40,119	\$ 34,394	\$ 49,665	\$ 24,848
Governmental Fund: General	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
	\$ 24,848	\$ 39,594	\$ 28,009	\$ 36,433

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

TOWN OF CLIFFORD
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, culture and recreation, 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 CLIFFORD
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior examination report, were again present during our period of examination:

1. Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

2. There were a number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

3. A Funds Ledger was not presented for examination for 2006.

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)

ANNUAL REPORTS

Annual reports for 2000, 2001, 2002, 2003, 2004, 2005, and 2006 were not presented for examination.

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 . . ."

TRANSACTION RECORDING

The Town places all receipts into and disburses all expenses from the General Fund. Distributions from the State for Motor Vehicle Highway (MVH) and Local Road and Street (LRS) are receipted into the General Fund instead of in their own separate funds. As a result, we could not conclude that MVH and LRS distributions were disbursed for authorized expenses.

In accordance with Chapter 3 of the Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, State distributions established by Indiana Code 8-14-1 and 8-14-2 shall be receipted to the Motor Vehicle Highway Fund and the Local Road and Street Fund, respectively.

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)

TOWN OF CLIFFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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."

DEPOSITS

As stated in the prior Reports B05560 and B16639, 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."

OLD OUTSTANDING CHECKS

Our review of the bank reconciliation as of December 31, 2006, revealed that there were checks outstanding in excess of two years.

Indiana Code 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

Indiana Code 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

Indiana Code 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

TOWN OF CLIFFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

INTEREST ON INVESTMENTS

Interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

In some cases, amounts payable to vendors and other suppliers of goods and services are not being paid by the required date stated on the invoices. Therefore, late payment penalties are being charged and were paid on subsequent bills.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims 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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

1. Claims were not prepared for all disbursements.
2. Claims were not always adequately itemized.
3. Some claims or invoices did not have evidence to support receipt of goods or services.
4. Some contracts were not presented for examination.
5. Some cancelled checks were not presented for examination.

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:

TOWN OF CLIFFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

Supporting documentation such as receipts, cancelled 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)

APPROPRIATIONS

The records presented for examination indicated that expenditures exceeded budgeted appropriations in 2001, 2002, 2005, and 2006. Certified Budgets from the Department of Local Government Finance were not presented for examination for 2002, 2005, and 2006.

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."

OFFICIAL BONDS

The Clerk-Treasurer's official bonds were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

BOARD MINUTES

Minutes for Town Council Board meetings were not presented for the following periods:

January 2000 to December 2000
September 2001 to November 2001
December 2003
January 2004
January 2006
September 2006

Minutes presented for examination for the Town's Park Board did not include meetings held after 2001 and did not appear to include information discussed at the meetings.

TOWN OF CLIFFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

COMPENSATION

The Town made payments for salaries to employees without passing a salary ordinance for 2000, 2001, 2003, 2004, 2005, and 2006.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

CAPITAL ASSET RECORDS

As stated in the prior Reports B05560 and B16639, an inventory or record of capital assets was not presented for examination.

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)

TOWN OF CLIFFORD
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use or not used in the prescribed manner:

Annual Report, General Form 350 - Investment Register
Town Form 208 - Ledger of Receipts, Disbursements, and Balances
Town Form 209 - Ledger of Appropriations, Encumbrances,
Disbursements, and Balances
Town Form 39 - Accounts Payable Voucher
Town Form 217 - Clerk-Treasurer's Receipt

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)

NONSUFFICIENT FUNDS, CASHIER'S CHECK, AND RETURNED CHECKS FEES

The Town incurred, and subsequently paid, bank charges for nonsufficient funds, a cashier's check, and returned checks for payment of vendor invoices during July of 2005 and payroll checks in September 2006.

<u>Type of Fee</u>	<u>Amount</u>
Nonsufficient funds fees	\$ 370
Cashier's check fee	5
Returned check fees	<u>40</u>
Total fees	<u>\$ 415</u>

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

We requested that Joyce Sessions, former Clerk-Treasurer, repay \$415 to the Town. (See Summary, page 13)

TOWN OF CLIFFORD
EXIT CONFERENCE

The contents of this report were discussed on July 26, 2007, with Joyce Sessions, former Clerk-Treasurer. The official concurred with our findings.

The contents of this report were discussed on July 26, 2007, with Marcia Mitchell, current Clerk-Treasurer; and Ed Stone, Board member. The officials concurred with our findings.

TOWN OF CLIFFORD
BARTHOLOMEW COUNTY
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Joyce Session, former Clerk-Treasurer: Nonsufficient Funds, Cashier's Check, and Returned Checks Fees, page 11 Repayment made July 26, 2007, receipt 1134	\$ 415	\$ 415	\$ -
	<u>415</u>	<u>415</u>	<u>-</u>
Totals	<u>\$ 415</u>	<u>\$ 415</u>	<u>\$ -</u>