

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

EXAMINATION REPORT
OF
TOWN OF SUMMITVILLE
MADISON COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
10/03/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Devon A. Dow Veronica A. Yeagy	01-01-04 to 06-02-07 06-03-07 to 12-31-07
President of the Town Council	Bart Matney Curtis Blalock Robert Atkins Bart Matney	01-01-05 to 12-31-05 01-01-06 to 12-31-06 01-01-07 to 03-31-07 04-01-07 to 12-31-07
Superintendent of Wastewater Utility	Thomas Marshall	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 SUMMITVILLE, MADISON COUNTY, INDIANA

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

August 22, 2007

TOWN OF SUMMITVILLE
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	\$ 156,707	\$ 233,064	\$ 282,974	\$ 106,797
Motor Vehicle Highway	23,849	34,291	40,347	17,793
Local Road and Street	29,088	12,170	2,587	38,671
Park and Recreation	5,470	14,975	9,350	11,095
Law Enforcement Continuing Education	774	605	360	1,019
Economic Development	2,500	2,500	1,750	3,250
Summitville Community Center	408	1,155	1,302	261
Police Equipment	2,452	7,947	6,534	3,865
Rainy Day	9,000	-	-	9,000
Riverboat	6,873	6,873	-	13,746
Abandon Vehicle	244	-	-	244
FEMA	-	14,070	-	14,070
Unappropriated	32,663	21,739	54,161	241
Old Bank Building	-	165,605	165,605	-
Cumulative Capital Improvement	10,561	3,370	5,000	8,931
Building Fund	70,401	1,604	-	72,005
Proprietary Funds:				
Wastewater Utility - Operating	21,372	214,134	225,652	9,854
Wastewater Utility - Bond and Interest	99,257	87,964	72,857	114,364
Fiduciary Fund:				
Payroll	9,690	157,777	158,469	8,998
Totals	<u>\$ 481,309</u>	<u>\$ 979,843</u>	<u>\$ 1,026,948</u>	<u>\$ 434,204</u>
	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 106,797	\$ 252,265	\$ 234,867	\$ 124,195
Motor Vehicle Highway	17,793	41,413	28,457	30,749
Local Road and Street	38,671	12,217	21,211	29,677
Park and Recreation	11,095	7,815	8,523	10,387
Law Enforcement Continuing Education	1,019	473	100	1,392
Economic Development	3,250	-	1,200	2,050
Summitville Community Center	261	1,725	1,125	861
Police Equipment	3,865	3,068	2,235	4,698
Rainy Day	9,000	143	-	9,143
Riverboat	13,746	7,078	11,918	8,906
Levy Excess	-	13,853	13,853	-
Abandon Vehicle	244	-	-	244
FEMA	14,070	4,617	-	18,687
Unappropriated	241	18,800	18,800	241
Town Hall Construction	-	37,559	21,667	15,892
Old Bank Building	-	145,353	145,353	-
Cumulative Capital Improvement	8,931	3,894	-	12,825
Building Fund	72,005	2,282	-	74,287
Proprietary Funds:				
Wastewater Utility - Operating	9,854	227,264	218,450	18,668
Wastewater Utility - Bond and Interest	114,364	86,232	77,805	122,791
Fiduciary Fund:				
Payroll	8,998	148,954	148,342	9,610
Totals	<u>\$ 434,204</u>	<u>\$ 1,015,005</u>	<u>\$ 953,906</u>	<u>\$ 495,303</u>

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

TOWN OF SUMMITVILLE
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 SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town did not present any capital asset records for examination. A similar comment appeared in prior Reports B20911 and B25944.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

ACCOUNTABILITY OF FUNDS RECEIVED

During the prior examination period, an insurance settlement in the amount of \$31,759.53 was received related to damage to the Town's concession stand. This money was deposited into a passbook savings account that was opened specifically for the maintenance of this money. However, the receipt of this money was never posted to the funds ledger. Additionally, interest earned on the savings account was not posted to the ledger.

During the current examination period, withdrawals were made from the savings account, which were deposited in the Town's checking account and posted to the ledger. The funds were then disbursed as appropriate. The savings account was closed in 2005.

Another passbook savings account was opened in the prior examination period to account for \$25,000 received from the sale of the Town Hall, and \$20,000 received from Madison County for a Food and Beverage Grant. Neither transaction was recorded in the funds ledger. Interest was earned on the savings account, but was not posted to the ledger. Additionally, monthly interest checks received from a certificate of deposit were deposited in the savings account, but were not posted to the ledger. In July 2005, this passbook savings account was closed and the monies were placed into a certificate of deposit. At that time, a new passbook savings account was opened and the monthly interest checks received from the certificate of deposit were deposited into the savings account, but were not posted to the ledger.

Also, the Town purchased a certificate of deposit from monies included in the Wastewater Utility Sinking Fund in 2005. At that time, a passbook savings account was opened and the monthly interest checks received from the certificate of deposit were deposited into the savings account, but were not posted to the ledger.

A similar comment appeared in prior Report B25944.

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)

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)

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 SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON CLAIMS

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

1. Not all claims were prepared completely.
2. Some claims were not adequately itemized.
3. Claims or invoices did not have evidence to support receipt of goods or services.
4. Claim numbers were omitted from the Accounts Payable Voucher Register, without explanation.
5. Receipts and invoices were found, which were not attached to Accounts Payable Vouchers.

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."

WASTEWATER ACCOUNTING RECORDS

The Wastewater Utility received customer collections from the Indiana-American Water Company, Inc., the billing and collection agent, by electronic funds transfer (EFT) made to the Utility checking account. An examination trail has not been maintained for all of these transfers. A daily and monthly record which supported and verified the amount being transferred was available, but was not always generated or maintained. The information presented for examination was not organized, nor maintained as a part of the financial records of the Town.

The Indiana-American Water Company, Inc., also has a monthly report presenting the detail and aging of accounts receivable at month end. This report is the Sewer Aging Report. Not all of these reports for the examination period were generated or maintained. The information presented for examination was not organized, nor maintained as part of the financial records of the Town.

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, individual customer ledgers for the Indiana-American Water Company, Inc., customer accounts were not available for examination. A similar comment appeared in several prior reports.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for examination 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)

HANDGUN PERMIT FEES

Handgun permit application fees collected by the Town Marshal were remitted to the Clerk-Treasurer less frequently than once a week, sometimes as long as 62 days after receipt. Additionally, there was one instance in which the receipt could not be traced to the records of the Clerk-Treasurer. A similar comment appeared in several prior reports.

Receipts and fees collected by a police department should be remitted to the clerk-treasurer or city controller at least once each week. (Cities and Towns Bulletin and Uniform Compliance Guidelines, September 2003)

PAYROLL RECORDS

The subsidiary payroll ledgers did not agree with the balance of the Payroll Fund at December 31, 2006. A subsidiary payroll ledger was maintained for each type of payroll deduction in 2006, but the balance of the deductions recorded in the subsidiary ledgers did not agree with the subsequent payments made to the appropriate authority. Additionally, the subsidiary payroll ledgers were not reconciled to the control ledger. A similar comment appeared in prior Report B25944.

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)

PAYROLL CHECKS

All payroll checks for any particular month were filled out ahead of time and signed by the Clerk-Treasurer at the beginning of the month, then left in a drawer to be distributed throughout the month.

Checks and receipts should be prepared timely and not signed in advance of the event or transaction. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC RECORDS RETENTION

Receipts for the Community Center, for the time period of January 1, 2005 through November 23, 2005, were not presented for examination. Additionally, Animal Control receipts for January 1, 2005 through November 11, 2005, were not presented for examination.

Indiana Code 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

Supporting documentation such as receipts, canceled checks, 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)

COMMUNITY CENTER FEES

The rental fee for the Community Center increased to \$45 at the beginning of 2006. There is no documentation of the increase being approved by the Town Council.

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)

PAYROLL FORMS

The following prescribed or approved forms were not always in use: General Form 99A - Employee's Service Record and General Form 99B - Employee's Earnings Record.

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)

COMPENSATORY TIME

Employees of the Town earn compensatory time for overtime worked. During the current examination period, the accrued balance of compensatory time of one employee was paid upon termination of employment. However, no policy regarding the accrual or use of compensatory time has been adopted by the Town. A similar comment appeared in prior Report B25944.

Each governmental unit should adopt written policy regarding the accrual and use of leave time and compensatory time and the payment of overtime. Negotiated labor contracts approved by the governing board would be considered as written policy. The policy should conform to the requirements of all state and federal regulatory agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SUMMITVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 22, 2007, with Veronica A. Yeagy, Clerk-Treasurer; Bart Matney, President of the Town Council; and J.C. Hendrick, Jr., Council member. The officials concurred with our findings.

The contents of this report were discussed on August 22, 2007, with Devon A. Dow, former Clerk-Treasurer.