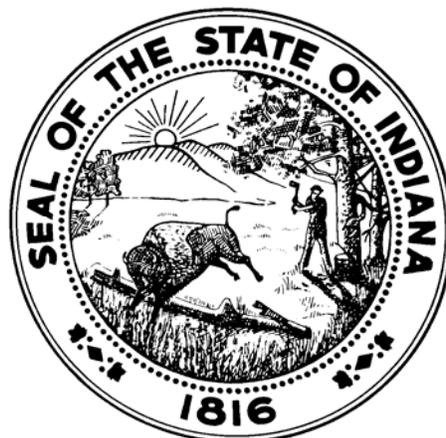


**STATE BOARD OF ACCOUNTS**  
**302 West Washington Street**  
**Room E418**  
**INDIANAPOLIS, INDIANA 46204-2769**

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



**FILED**  
10/10/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Billie Brann	01-01-04 to 12-31-07
President of the Town Council	Ernest W. Hendricks	01-01-05 to 12-31-07



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SPRING GROVE, WAYNE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Spring Grove (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.

The financial information the Town provided in the form of cash receipts, disbursements and balances for the Town's funds for the period examined was incomplete and inaccurate. We were therefore unable to express an opinion on this financial information. We were able to obtain bank account balances for the Town's bank accounts. This information is not intended to comply with the uniform compliance guidelines established by the Indiana State Board of Accounts.

In our opinion, the financial information referred to above does not present fairly, and is not intended to present 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 30, 2007

TOWN OF SPRING GROVE  
SCHEDULES OF BANK ACCOUNT BALANCES  
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 12-31-05	Cash and Investments 12-31-06
	<u>          </u>	<u>          </u>
Chase Bank Savings	\$ 35,343	\$ 34,447
U.S. Bank	93,327	55,994
First Bank of Richmond	53,155	51,866
Chase Bank Checking	5	5
Certificate of Deposit	<u>15,000</u>	<u>15,000</u>
Totals	<u>\$ 196,830</u>	<u>\$ 157,312</u>

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

TOWN OF SPRING GROVE  
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, 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 (Indiana Code 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 (Indiana Code 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 SPRING GROVE  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

As stated in the prior Report B24946, the official bonds for the Clerk-Treasurer have not been recorded since 2001.

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 . . ."

BANK ACCOUNT RECONCILIATIONS

As stated in prior Reports B15283, B20216, and B24946, depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incorrect.

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."

INTEREST ON INVESTMENTS

Interest earned on a savings account and mutual fund account was not recorded in a specific fund.

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)

INCOMPLETE RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the General, Motor Vehicle Highway, Local Road and Street, Cumulative Capital Improvement, and Economic Development Income Tax Funds. In addition the Rainy Day and Levy Excess funds as included in the prior report were not included in the unit's ledger. The records presented did not provide sufficient information to examine or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions.

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)

TOWN OF SPRING GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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. There were a considerable number of posting errors. These errors included deposits not received, checks and receipts not recorded in the proper amounts, and interest not posted
2. Mathematical errors in calculating balances
3. Ending balances did not always agree with the beginning balances in the subsequent year.

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)

DEPOSITS

Not all receipts were deposited by the next business day. In some instances there were up to six days between the receipt of funds and the deposit.

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."

RECEIPT ISSUANCE

In some instances receipts were not issued or recorded. In addition receipts were not always issued at the time money was received.

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)

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 adequately itemized.
3. Payments were made to the Clerk-Treasurer's husband without a contract
4. Payments for snow removal were not always in accordance with the contract.

TOWN OF SPRING GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

#### PAYROLL DEDUCTIONS

As stated in prior Reports B15283, B20216, and B24946, payments were made to some employees without payroll deductions for taxes.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

#### COMPENSATION AND BENEFITS

As stated in prior Report B24946, Town Council members, the Clerk-Treasurer, and Building Inspector received compensation payments for 2005 although no salary ordinance or resolution had been adopted.

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)

TOWN OF SPRING GROVE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ADVANCE PAYMENTS

As stated in prior Reports B15283, B20216, and B24946, dates of transactions indicated that some payments were made to the Clerk-Treasurer prior to the receipt of services.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CERTIFIED REPORTS NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the year 2006.

In addition, 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 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

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 name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

PENALTIES, INTEREST, AND OTHER CHARGES

A notice received from the Indiana Department of Revenue indicated that delinquent taxes were being levied from the Town's bank account. The amount of \$2,686 included tax, interest, penalty and cost of collection fees. In addition the Town was charged \$75 from the bank for processing the tax levy.

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 SPRING GROVE  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2007, with Keith E. Brown, Assistant Clerk-Treasurer. The official concurred with our findings.