

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

EXAMINATION REPORT  
OF  
TOWN OF CARTHAGE  
RUSH COUNTY, INDIANA  
January 1, 2006 to December 31, 2006



**FILED**  
10/29/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda A. McMahan	01-07-05 to 12-31-07
President of the Town Council	Rick Bush	01-01-06 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 CARTHAGE, RUSH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Carthage (Town), for the period of January 1, 2006 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 year ended December 31, 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. The schedule has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

September 18, 2007

TOWN OF CARTHAGE  
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Year Ended December 31, 2006

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 23,672	\$ 149,757	\$ 162,173	\$ 11,256
Motor Vehicle Highway	21,797	87,436	79,580	29,653
Local Road and Street	7,379	3,554	1,400	9,533
Law Enforcement Continuing Education	303	874	942	235
Cemetery	900	3,300	1,200	3,000
Rainy Day	7,076	21	-	7,097
Fire Truck Grant	26,000	140,033	166,033	-
Edit	9,860	-	2,500	7,360
Cumulative Capital Improvement	6,332	3,315	-	9,647
Proprietary Funds:				
Water Utility - Operating	35,606	158,313	187,339	6,580
Water Utility - Customer Deposit	1,577	7,051	729	7,899
Water Utility - Construction	(15)	15	-	-
Wastewater Utility - Operating	24,624	149,914	138,948	35,590
Wastewater Utility - Bond and Interest	175	1	-	176
Wastewater Utility - Sanitation	(11,679)	34,390	25,220	(2,509)
Utilities Clearing Fund	29,653	332,108	336,525	25,236
Totals	<u>\$ 183,260</u>	<u>\$ 1,070,082</u>	<u>\$ 1,102,589</u>	<u>\$ 150,753</u>

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

TOWN OF CARTHAGE  
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, road and street maintenance, health and social services, cemetery, general administrative services, and water and wastewater utilities.

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.

TOWN OF CARTHAGE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

Note 6. Subsequent Events

Water Project

The Town of Carthage has been approved for a \$500,000 Community Focus Fund Community Development Block Grant from the Indiana Office of Community and Rural Affairs and a grant and loan from Rural Development for approximately \$2,084,200 for a future water project. Bids are anticipated to be awarded late August 2007 for the Water Project.

Interfund Loans

On June 26, 2007, the Carthage Water Utility - Operating Fund loaned the Town of Carthage - General Fund \$10,000 to be repaid by December 31, 2007. On June 26, 2007, the Carthage Waste-water Utility – Operating Fund loaned the Town of Carthage – General Fund \$10,000 to be repaid by December 31, 2007.

TOWN OF CARTHAGE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

LONG-TERM DEBT

The Town of Carthage has entered into the following capital leases and bond anticipation notes:

Description of Asset	Principal Ending Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Computers (1/3 share)	\$ 8,714	\$ 2,758
Police Car	36,479	5,185
Total governmental activities long-term debt	<u>\$ 45,193</u>	<u>\$ 7,943</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Computers (1/3 share)	\$ 8,714	\$ 2,758
John Deere Back Hoe	37,060	10,909
Bond Anticipation Note of 2005	150,000	10,777
Total Water Utility	<u>195,774</u>	<u>24,444</u>
Wastewater Utility		
Capital leases:		
Computers (1/3 share)	8,714	2,758
Bond Anticipation Note of 2005	150,000	3,175
Total Wastewater Utility	<u>158,714</u>	<u>5,933</u>
Total business-type activities long-term debt	<u>\$ 354,488</u>	<u>\$ 30,377</u>

TOWN OF CARTHAGE  
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

The following deficiency was noted on claims during the examination period:

Some claims or invoices were not accompanied by evidence in support of the receipt of goods or services for the Town and the Water and Wastewater Utilities during the examination period.

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."

CAPITAL ASSET RECORDS

Information presented for examination indicates the Town does not maintain records of capital assets, nor do the Utilities maintain records for their Utility Plant in Service accounts.

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)

OVERDRAWN FUND BALANCES

The Wastewater Utility-Sanitation Fund was overdrawn \$2,509 at December 31, 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)

TOWN OF CARTHAGE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register did not reconcile with the customer deposit control amount recorded on the utility ledger for the year 2006.

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)

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Janet Warren, former Clerk-Treasurer, term 11-25-03 to 11-25-04  
Janet Warren, former Clerk-Treasurer, term 11-25-04 to 11-25-05

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. . . ."

TEMPORARY TRANSFER OF FUNDS NOT REPAYED

A temporary transfer of \$6,804 was made in 2003 from the Water Utility - Operating Fund to the Wastewater Utility - Bond and Interest Fund and not repaid by December 31, 2003. The loan had not been repaid as of December 31, 2006.

A temporary transfer of \$2,141 was made in 2003 from the Utilities Clearing Fund to the Wastewater Utility - Bond and Interest Fund and not repaid by December 31, 2003. The loan had not been repaid as of December 31, 2006.

A temporary transfer of \$5,000 was made in 2003 from the Water Utility - Operating Fund to the Town General Fund and not repaid by December 31, 2003. The loan had not been repaid as of December 31, 2006.

A temporary transfer of \$6,456 was made in 2004 from the Water Utility - Operating Fund to the Wastewater Utility - Bond and Interest Fund and not repaid by December 31, 2004. The loan had not been repaid as of December 31, 2006.

A temporary transfer of \$20,000 was made in 2005 from the Utilities Clearing Fund to the Town General Fund and not repaid by December 31, 2005. The loan had not been repaid as of December 31, 2006.

Indiana Code 36-1-8-4 concerning temporary transfer, states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the

TOWN OF CARTHAGE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

REPAYMENTS AND TRANSFERS - YEAR 2005

The amount of \$621 was paid from the Wastewater Utility - Operating Fund for sales tax due on Water Utility sales. The \$621 was not repaid to the Wastewater Utility - Operating Fund from the Water Utility - Operating Fund by December 31, 2005. The \$621 had not been repaid as of December 31, 2006.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES - JANET WARREN

Penalties, interest and other charges totaling \$480.11 were paid to the Internal Revenue Service, OSI Collection Services, Inc., on behalf of the Indiana Department of Revenue, and to the Indiana Department of Revenue concerning employee withholdings tax (Form 941's), employee state and county withholdings tax, and water utility receipts tax on various dates for reporting periods ending December 31, 2003, November 30, 2004, and December 31, 2004.

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)

Since this condition was present in the prior two audit periods and the Town Official was informed of this condition and the responsibilities associated with it, during an exit conference, we requested that Janet Warren, former Clerk-Treasurer, repay a total of \$480.11 to the Town for reimbursement of penalties, interest and other charges accumulated during the current examination period. (See Summary, page 12)

TOWN OF CARTHAGE  
EXIT CONFERENCE

The contents of this report were discussed on September 18, 2007, with Wanda C. Henderson, Vice President of the Town Council; Timothy Wehr, Town Council member; Robert D. Cooper, Town Council member; and Linda A. McMahan, Clerk-Treasurer. The officials concurred with our findings.

The Examination Results and Comments, including supporting documentation, applicable to Janet Warren, were mailed on September 5, 2007, to Janet Warren along with an exit conference form. No response has been received.

TOWN OF CARTHAGE  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Janet Warren, former Clerk-Treasurer: Penalties, Interest and Other Charges, page 10	<u>\$ 480.11</u>	<u>\$ -</u>	<u>\$ 480.11</u>

AFFIDAVIT

STATE OF INDIANA )  
 )  
SHELBY COUNTY )

I, Brenda K. Helms, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Carthage, Rush County, Indiana, for the period from January 1, 2006 to December 31, 2006, is true and correct to the best of my knowledge and belief.

Brenda K. Helms  
Field Examiner

Subscribed and sworn to before me this 15<sup>th</sup> day of October, 2007.

Erine Fabelarson  
Notary Public

My Commission Expires: 10-1-2015

County of Residence: Shelby