

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

EXAMINATION REPORT

OF

TOWN OF CROTHERSVILLE

JACKSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



**FILED**  
11/15/2007



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

NaLona R. Bush

01-01-04 to 12-31-07

President of the Town Council

Vaughn Isenhower  
William C. Nagle

01-01-05 to 08-01-05  
08-02-05 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 CROTHERSVILLE, JACKSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Crothersville (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 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. It has not been subjected to the examination procedures applied to the basic financial information, and accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

September 17, 2007

TOWN OF CROTHERSVILLE  
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
<b>Governmental Funds:</b>				
General	\$ 39,697	\$ 496,264	\$ 282,908	\$ 253,053
Motor Vehicle Highway	44,648	50,040	55,025	39,663
Local Road and Street	7,861	8,474	7,693	8,642
Local Law Enforcement Continuing Education	4,259	526	70	4,715
Park Nonreverting Operating	437	-	213	224
Nonreverting Housing Fund	7,626	2,165	-	9,791
Asset Forfeiture (Federal)	6,498	12,543	-	19,041
Riverboat	9,900	9,900	-	19,800
Mitchell & Stark Construction	-	405,514	379,079	26,435
Lykins Construction	-	5,354	3,500	1,854
Cumulative Capital Improvement	2,365	4,853	5,924	1,294
Park Nonreverting Capital	34,719	5,610	27,873	12,456
Cumulative Capital Development	2,646	28,136	13,000	17,782
Economic Development Income Tax	9,518	20,460	23,029	6,949
<b>Proprietary Funds:</b>				
Water Utility - Operating	38,068	358,018	369,989	26,097
Water Utility - Bond and Interest	62,894	130,800	125,491	68,203
Water Utility - Depreciation	154,271	24,000	109,623	68,648
Water Utility - Customer Deposit	19,425	5,150	4,275	20,300
Water Utility - Reserve	143,906	-	-	143,906
Water Utility - Construction	37,723	-	-	37,723
Wastewater Utility - Operating	12,822	367,770	368,484	12,108
Wastewater Utility - Bond and Interest	7,413	87,600	90,530	4,483
Wastewater Utility - Depreciation	165,449	18,900	156,416	27,933
Wastewater Utility - Reserve	96,117	-	-	96,117
<b>Fiduciary Fund:</b>				
Payroll	15,502	144,684	146,010	14,176
<b>Totals</b>	<b>\$ 923,764</b>	<b>\$ 2,186,761</b>	<b>\$ 2,169,132</b>	<b>\$ 941,393</b>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
<b>Governmental Funds:</b>				
General	\$ 253,053	\$ 268,694	\$ 280,585	\$ 241,162
Motor Vehicle Highway	39,663	57,831	39,886	57,608
Local Road and Street	8,642	8,284	-	16,926
Local Law Enforcement Continuing Education	4,715	803	199	5,319
Park Nonreverting Operating	224	-	-	224
Nonreverting Housing Fund	9,791	1,647	-	11,438
Asset Forfeiture (Federal)	19,041	-	1,056	17,985
Police Reserve	-	450	-	450
Riverboat	19,800	9,880	-	29,680
Mitchell & Stark Construction	26,435	149,442	175,785	92
Lykins Construction	1,854	11	-	1,865
Cumulative Capital Improvement	1,294	5,609	-	6,903
Park Nonreverting Capital	12,456	-	384	12,072
Cumulative Capital Development	17,782	8,915	6,456	20,241
Economic Development Income Tax	6,949	20,909	-	27,858
Building Fund	-	10,009	-	10,009
<b>Proprietary Funds:</b>				
Water Utility - Operating	26,097	386,904	364,901	48,100
Water Utility - Bond and Interest	68,203	130,800	126,806	72,197
Water Utility - Depreciation	68,648	24,000	67,601	25,047
Water Utility - Customer Deposit	20,300	8,425	6,025	22,700
Water Utility - Reserve	143,906	-	-	143,906
Water Utility - Construction	37,723	718	22,475	15,966
Wastewater Utility - Operating	12,108	373,914	365,957	20,065
Wastewater Utility - Bond and Interest	4,483	87,600	90,440	1,643
Wastewater Utility - Depreciation	27,933	67,258	95,353	(162)
Wastewater Utility - Reserve	96,117	-	-	96,117
<b>Fiduciary Fund:</b>				
Payroll	14,176	147,641	146,420	15,397
<b>Totals</b>	<b>\$ 941,393</b>	<b>\$ 1,769,744</b>	<b>\$ 1,790,329</b>	<b>\$ 920,808</b>

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

TOWN OF CROTHERSVILLE  
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, highways and streets, culture and recreation, public improvements, general administrative services, 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 CROTHERSVILLE  
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 CROTHERSVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT

For The Year Ended December 31, 2006

Description of Debt	Ending Balance	Due Within One Year
Business-type Activities:		
Water Utility		
Revenue bonds:		
Waterworks Revenue Bonds 1994	380,000	35,000
Waterworks Revenue Bonds 1996	<u>520,000</u>	<u>40,000</u>
Total Water Utility	<u>900,000</u>	<u>75,000</u>
Wastewater Utility		
Revenue bonds:		
(Junior) Sewage Works Revenue Bonds 1987	160,000	77,000
Wastewater Revenue Bonds 1991	<u>32,000</u>	<u>3,000</u>
Total Wastewater Utility	<u>192,000</u>	<u>80,000</u>
Total business-type activities long-term debt:	<u>\$ 1,092,000</u>	<u>\$ 155,000</u>

TOWN OF CROTHERSVILLE  
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

During the review of receipts, numerous instances were noted where receipts were deposited later than the next business day. A test of November and December 2006 bank deposits indicated that, although collections were received almost every day, only three deposits were made each month. The six deposits totaled \$215,121.

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 FORMS

Some receipt forms issued during the examination period did not indicate in what form (cash, check, etc.) funds were received.

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)

OFFICIAL BOND

Official bonds were not filed in the Office of the County Recorder for the Clerk-Treasurer, the Town's Blanket Bond, the Town Marshal, or the Deputy Marshals.

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. . . ."

SERVICE AND TIME RECORDS

The following deficiencies were noted during the review of payroll for the examination period:

- (1) Time or attendance records for the Deputy Clerk were not presented for examination.
- (2) Time or attendance records for the Utility Superintendent were not presented for examination.
- (3) Service records were not maintained during 2006 for the Utility Superintendent.
- (4) Time records were not approved by the appropriate official or department head for a part-time employee.

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 CROTHERSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Indiana Code 5-11-9-4(b) states in part: ". . . records be maintained showing which hours were worked each day by officers and employees . . ."

CAPITAL ASSET RECORDS

The Town does not maintain sufficient detailed records of capital assets purchased from governmental funds.

The Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets were not recorded during examination period.

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)

HYDRANT RENTAL

The Town of Crothersville owes the Water Utility hydrant rental of \$4,655.00 and \$5,571.75 for the years 2005 and 2006, respectively, pursuant to Rate Ordinance 2005-3 passed 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)

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconciliations as of December 31, 2004, revealed checks outstanding in excess of two years. Those checks should have been receipted back into the fund of origination before March 31, 2005.

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."

TOWN OF CROTHERSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the Wastewater Utility Depreciation Fund was overdrawn at December 31, 2006, in the amount of \$162.

The cash 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)

SEPARATE BANK ACCOUNTS

Town and Water Utility Funds are accounted for in the bank account of the Town. According to the Bond Ordinance for the 1994 and 1996 Waterworks Revenue Bond Issues, the Town is to maintain a separate Water Bond and Interest Account for funds designated for payment of revenue bonds.

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)

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)

TOWN OF CROTHERSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on September 27, 2007, with NaLona R. Bush, Clerk-Treasurer; and William C. Nagle, President of the Town Council. The officials concurred with our findings.