

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

EXAMINATION REPORT

OF

TOWN OF SELLERSBURG

CLARK COUNTY, INDIANA

January 1, 2006 to December 31, 2006



FILED
11/15/2007

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Financial Information:	
Schedule of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information.....	5-7
Supplementary Information:	
Schedule of Long-Term Debt.....	8
Examination Results and Comments:	
Sale of Real Property.....	9
Motor Vehicle Highway Fund Expenditures.....	9
Capital Asset Records	9-10
Customer Deposit Register.....	10
Collection Policy	10
Internal Controls	10-11
Pool Fees.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David L. Kinder	01-01-04 to 12-31-07
President of the Town Council	Douglas J. Reiter	01-01-06 to 12-31-07
Director of Municipal Works	Kenneth J. Alexander	01-01-06 to 12-31-07
President of the Park Board	Janet Rudd	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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SELLERSBURG, CLARK COUNTY, INDIANA

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

October 3, 2007

TOWN OF SELLERSBURG
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY, AND FIDUCIARY 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	\$ (253,628)	\$ 2,928,282	\$ 2,155,558	\$ 519,096
Motor Vehicle Highway	590,856	293,289	537,427	346,718
Local Road and Street	133,868	66,638	112,259	88,247
Park and Recreation	14,463	146,719	88,066	73,116
Park Donation	-	200	200	-
Police Station	2,667	4,750	2,909	4,508
Police Grants	12,543	43,586	54,393	1,736
Law Enforcement Continuing Education	38,063	8,905	12,704	34,264
Group Insurance	29,560	12,230	-	41,790
Downtown Revitalization	-	19,900	19,900	-
Cumulative Capital Improvement	37,594	21,689	26,404	32,879
Cumulative Capital Development	113,928	87,938	15,297	186,569
Economic Development Income Tax	-	112,357	45,892	66,465
Engineering Fees	-	75,000	60,215	14,785
Clerks Record Perpetual Fund	-	2,741	-	2,741
Proprietary Funds:				
Water Utility - Operating	317,502	1,008,825	1,066,848	259,479
Water Utility - Debt Service Reserve	255,692	369,048	303,345	321,395
Water Utility - Customer Deposit	264,529	67,500	74,990	257,039
Water Utility - Improvement	416,797	12,330	33,177	395,950
Wastewater Utility - Operating	372,174	1,636,206	1,459,909	548,471
Wastewater Utility - BAN	31,831	3,110,148	2,394,871	747,108
Wastewater Utility - Bond and Interest	-	396,610	394,910	1,700
Wastewater Utility - Debt Service Reserve	387,000	-	524	386,476
Wastewater Utility - Improvement	344,409	-	31,385	313,024
Wastewater Utility - Reserve	1,067,069	971,876	1,750,448	288,497
Wastewater Utility - Expansion	250,180	229,900	411,852	68,228
Fiduciary Funds:				
Police Officers' Pension	159,152	103,638	85,558	177,232
Town Court	33,480	232,591	206,660	59,411
Construction Retainage	-	243,035	164,970	78,065
Payroll	1,161	2,186,428	2,185,921	1,668
Totals	<u>\$ 4,620,890</u>	<u>\$ 14,392,359</u>	<u>\$ 13,696,592</u>	<u>\$ 5,316,657</u>

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

TOWN OF SELLERSBURG
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, highway and streets, public improvements, planning and zoning, culture and recreation, economic development, water, wastewater, sanitation, 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.

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 SELLERSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

A. Agent Multiple-Employer and Single-Employer Defined Benefit Pension Plans

1. 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 the 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 member's 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. The 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 plan members for PERF are established by the Board of Trustees of PERF.

2. 1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

TOWN OF SELLERSBURG
NOTES TO FINANCIAL INFORMATION
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

B. Cost-Sharing Multiple-Employer Defined Benefit Pension Plan

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Town is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF.

Note 7. Long-Term Receivable

The Town of Clarksville entered into an agreement with the Town of Sellersburg's Water Utility (Water Utility) on March 3, 1990. The Water Utility agreed to provide service to an area located in the Town of Clarksville. The Town of Clarksville agreed to reimburse the Water Utility for the cost of a water tower the Water Utility built for that purpose by paying the Water Utility \$12,336 per year through 2011. On December 31, 2006, the Town of Clarksville owed \$61,680 to the Water Utility.

TOWN OF SELLERSBURG
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital leases:		
Police vehicles	\$ 41,811	\$ 43,584
Vacon truck (1/2)	67,765	18,401
Office building (1/3)	<u>96,529</u>	<u>18,300</u>
Total governmental activities debt	<u>\$ 206,105</u>	<u>\$ 80,285</u>
Business-type Activities:		
Water Utility		
Capital leases:		
Office building (1/3)	\$ 96,529	\$ 18,300
Revenue bonds:		
1993 Water works refunding bonds	<u>1,050,000</u>	<u>304,575</u>
Total Water Utility	<u>1,146,529</u>	<u>322,875</u>
Wastewater Utility		
Capital leases:		
Belt press	\$ 63,797	\$ 17,394
Vacon truck (1/2)	67,765	18,401
Office building (1/3)	96,529	18,300
Notes and loans payable	2,000,000	32,750
Revenue bonds:		
2003 Wastewater Refunding Bonds	<u>2,895,000</u>	<u>392,151</u>
Total Wastewater Utility	<u>5,123,091</u>	<u>478,996</u>
Total business-type activities debt:	<u>\$ 6,269,620</u>	<u>\$ 801,871</u>

TOWN OF SELLERSBURG
EXAMINATION RESULTS AND COMMENTS

SALE OF REAL PROPERTY (Applies to Town Council)

During the examination period, the Town Council sold real property without first obtaining required appraisals on the property.

Indiana Code 36-1-11-4 outlines the procedures for the sale or transfer of real property and states in part:

"(b) . . . The disposing agent shall first have the property appraised by two (2) appraisers. . . . The appraisers shall make a joint appraisal of the property."

"(c) After the property is appraised, the disposing agent shall publish a notice in accordance with IC 5-3-1 setting forth the terms and conditions of the sale . . . "

"(d) A bid must be opened to public inspection . . . "

"(f) The disposing agent may, before expiration of the time set out in the notice, sell the property to the highest and best bidder. . . . However, the disposing agent may sell the property for less than ninety percent (90%) of the appraised value of the tracts only after having an additional notice of the sale published in accordance with subsection (c). The disposing agent may reject all bids."

MOTOR VEHICLE HIGHWAY FUND EXPENDITURES (Applies to Clerk-Treasurer)

During 2006, law enforcement expenditures paid from the Motor Vehicle Highway Fund were \$38,036. This is equivalent to 20% of the total Motor Vehicle Highway distributions received for 2006.

According to the 2000 census, the population of the Town of Sellersburg was 6,071.

Indiana Code 8-14-1-5 addresses the permissible uses of the municipal allocations of Motor Vehicle Highway Funds. In section (b), it states in part: ". . . monies allocated to cities and towns under this chapter may be expended for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of less than five thousand (5,000), no more than fifteen percent (15%) may be spent for law enforcement purposes.
- (2) For cities and towns other than those specified in subdivision (1) of this subsection, no more than ten percent (10%) may be spent for law enforcement purposes."

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Utilities)

The Town does not maintain sufficient records of capital assets for the Town owned capital assets, which also includes the Water and Wastewater Utility owned utility plant in service accounts. Records classifying and summarizing capital assets are incomplete. Deletions or disposal of capital assets are not recorded. In addition, inventories of capital assets were not taken so that capital assets on hand could be reconciled back to the capital asset ledger.

A similar comment was made in the prior State Board of Accounts Report B27350.

TOWN OF SELLERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable 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)

CUSTOMER DEPOSIT REGISTER (Applies to Water and Wastewater Utilities)

We found the following deficiencies regarding the accounting for customer deposits:

1. The detailed customer deposit registers are incomplete and the totals do not reconcile with the customer deposit amount recorded in the cash ledger.

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)

2. The cash ledger contains an account for Utility Meter Deposits. It shows a balance for all deposits received for the Utilities. It does not show the respective cash balances for the Water and Wastewater Utility separately.

Separate records prescribed or approved by the State Board of Accounts will be maintained for water, wastewater, electric, and gas utilities following the Uniform System of Accounts for each utility published by the National Association of Regulatory Utility Commissioners. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

A similar comment was made in the prior State Board of Accounts Report B27350.

COLLECTION POLICY (Applies to Town Council)

The Town Council does not have a written policy addressing bad debts, shut-offs, write-offs, etc.

A similar comment was made in the prior State Board of Accounts Report B27350.

The governing board over a water, gas or electric utility should adopt written policies dealing with unclaimed meter deposits, bad debts, due dates, write-offs, NSF Checks, etc. The governing board over a Wastewater Utility should also adopt written collection policies for those areas not covered by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS (Applies to Park Department)

Town procedures require the Pool Manager to prepare a daily concession report and daily pool pass report for the receipts generated by the operation of the swimming pool. These reports are used to reconcile the cash collections for the day to the cash register tapes and to the actual daily deposits that are to be made by the Pool Manager. Any differences between the cash collections, cash register tape and deposits are to be documented on these reports. These reports also provide for the Pool Manager to break down the collections

TOWN OF SELLERSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

based on the form of the collection, i.e. cash or check. From the reconciliation reports, the Pool Manager is to summarize all collections onto a daily report of collection and attach it to the reconciliation reports, cash register tapes, deposit slips and any other supporting documentation. The daily report of collections is to be submitted to the Clerk-Treasurers office daily.

During our review we noted the following deficiencies:

1. The reason for any differences between the cash collections, cash register tapes and deposits were not always documented on the reconciliation reports.
2. Reconciliation reports did not always break down the collections between cash and checks, therefore, we could not always verify that the collections were deposited in the same form in which they were received.
3. Supporting documentation such as season pass applications and pool party applications were not attached to the reconciliation reports or daily report of collections.
4. We noted for the month of July, the daily Report of Collections were not remitted to the Clerk-Treasurer until an average of twenty (20) days after the actual date of the collection.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

POOL FEES (Applies to Park Board)

Documentation was not presented for examination showing the Parks Board approved fees for season passes, daily admissions, pool parties, etc.

A similar comment was made in the prior State Board of Accounts Report B27350.

Fees should only be collected as specifically authorized by statute or properly authorized resolutions or ordinances, as applicable, which are not contrary to statutory or Constitutional provisions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SELLERSBURG
EXIT CONFERENCE

The contents of this report were discussed on October 3, 2007, with Michael N. Lockhart, Town Council Vice President; David L. Kinder, Clerk-Treasurer; Michelle D. Eve, Chief Deputy Clerk-Treasurer; and Kenneth J. Alexander, Director of Municipal Works. The officials concurred with our findings.

The contents of this report concerning the Park Department were separately discussed on October 3, 2007, with Janet Rudd, President of the Park Board. She concurred with our findings concerning the Park Department.