

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

EXAMINATION REPORT
OF
TOWN OF THORNTOWN
BOONE COUNTY, INDIANA
January 1, 2006 to December 31, 2006



FILED
11/16/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy Vaughn	01-01-04 to 12-31-07
Town Judge	Donald G. Vaughn	01-01-04 to 12-31-07
Superintendent of Utilities	Gary Moody	01-01-06 to 12-31-07
President of the Town Council	Gary Jones	01-01-06 to 12-31-07
President of the Utility Service Board	Donald G. Vaughn	01-01-06 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 THORNTOWN, BOONE COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

September 26, 2007

TOWN OF THORNTOWN
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	\$ 198,108	\$ 450,998	\$ 416,365	\$ 232,741
Motor Vehicle Highway	72,693	57,576	15,430	114,839
Local Road and Street	12,199	10,077	-	22,276
Law Enforcement Continuing Education	75,806	8,205	100	83,911
Rainy Day	1,853	-	-	1,853
Park Donation	12,735	30	-	12,765
Cumulative Capital Improvement	75,013	5,580	-	80,593
Cumulative Capital Development	41,626	11,348	7,653	45,321
Sidewalk Repair	23,758	545	24,303	-
Dog Control	28	-	28	-
Street and Sign Repair	522	-	-	522
County Court	-	45,314	45,314	-
Police Firearms Training	729	400	390	739
Police and Accident Report	666	155	-	821
Police Donation	823	74	-	897
Police Reserve Donation	74	-	74	-
IDNR Training	18	100	39	79
Town Police Training	2,829	820	595	3,054
Proprietary Funds:				
Water Utility - Operating	218,158	190,416	164,635	243,939
Water Utility - Depreciation	25,444	4,264	3,750	25,958
Water Utility - Customer Deposit	6,284	1,725	1,321	6,688
Wastewater Utility - Operating	529,335	174,165	163,830	539,670
Wastewater Utility - Depreciation	156,605	21,902	3,750	174,757
Wastewater Utility - Customer Deposit	6,007	1,725	1,336	6,396
Electric Utility - Operating	1,533,512	1,003,887	1,006,458	1,530,941
Electric Utility - Depreciation	211,142	15,546	-	226,688
Electric Utility - Customer Deposit	30,647	8,435	7,111	31,971
Fiduciary Funds:				
Payroll	2,234	512,724	506,482	8,476
Levy Excess	11,650	2,097	7,474	6,273
Town Court	142,046	418,417	486,729	73,734
Totals	\$ 3,392,544	\$ 2,946,525	\$ 2,863,167	\$ 3,475,902

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

TOWN OF THORNTOWN
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, planning and zoning, general administrative services, electric, water, and wastewater.

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 THORNTOWN
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 THORNTOWN
EXAMINATION RESULTS AND COMMENTS

POLICE DEPARTMENT RECEIPTS AND FEES

Instances were noted where receipts and fees collected by the Police Department were remitted to the Clerk-Treasurer less frequently than once a week.

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

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder: Peggy Vaughn, Clerk-Treasurer.

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 . . ."

RECEIPT DEPOSITS

While reviewing receipts issued for the Town Court, one deposit was made six days after the receipts had been issued and the composition of cash to checks was not the same as what was shown on the receipts.

Indiana Code 5-13-6-1(d) states in part: "A city or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories selected by the city or town as provided in an ordinance adopted by the city or the town and approved as depositories of state funds."

Public funds shall be deposited in the same form in which they were received." (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CAPITAL ASSET RECORDS

The Town does not have a formal capitalization policy. The Town and Utility capital asset records are not adequate. The Utilities record capital asset additions, but disposals are not being recorded properly. When the Town or Utilities disposes of a capital asset, the cost of the asset and the related accumulated depreciation should also be recorded in the records as deletions.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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 THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT ACCOUNTS RECEIVABLE

Delinquent wastewater accounts are not being assessed a 10% penalty as stated in Indiana Code 36-9-23-31.

In reference to delinquent wastewater accounts, Indiana Code 36-9-23-31 states in part: ". . . A penalty of ten percent (10%) of the amount of the fees attaches to the delinquent fees. . . ."

COMPENSATION AND BENEFITS

Utility employees were not included in the 2006 salary ordinance or resolution.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) A list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) The name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent.
 - (B) A description of the premises, as shown by the records of the county auditor.
 - (C) The amount of the delinquent fees, together with the penalty.
- (2) An individual instrument for each lot or parcel of real property on which the fees are delinquent.

(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

TOWN OF THORNTOWN
EXIT CONFERENCE

The contents of this report were discussed on September 26, 2007, with Peggy Vaughn, Clerk-Treasurer; and Gary Jones, President of the Town Council. The officials concurred with our findings.

The contents of this report pertaining to the Police Department were discussed on September 26, 2007, with Peggy Vaughn, Clerk-Treasurer; and Jeff Woodard, Town Marshall. The officials concurred with our findings.

The contents of this relating to the Town Court were discussed on October 18, 2007, with Donald G. Vaughn, Town Judge. The official concurred with our findings.