

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

EXAMINATION REPORT  
OF  
TOWN OF CLARKS HILL  
TIPPECANOE COUNTY, INDIANA  
January 1, 2005 to December 31, 2006



**FILED**  
12/20/2007



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Tracy Davis	01-01-04 to 12-31-07
President of the Town Council	John Barton Clark Whitley	01-01-05 to 12-31-06 01-01-07 to 12-31-07
Superintendent of Utilities	Aloysius Thompson	01-01-05 to 12-31-07



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CLARKS HILL, TIPPECANOE COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

October 18, 2007

TOWN OF CLARKS HILL  
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
Governmental Funds:				
General	\$ 36,035	\$ 93,095	\$ 77,615	\$ 51,515
Motor Vehicle Highway	4,352	33,557	26,708	11,201
Local Road and Street	20,141	7,386	725	26,802
Economic Development Income Tax	42,585	14,987	28,316	29,256
Trash	2,007	22,045	19,067	4,985
Cumulative Capital Improvement	3,694	2,102	-	5,796
Cumulative Capital Development	3,220	7,195	6,158	4,257
Levy Excess	-	691	-	691
Proprietary Funds:				
Water Utility - Operating	13,639	60,299	67,261	6,677
Water Utility - Customer Deposit	12,629	1,883	1,810	12,702
Water Utility - Improvement - Water Tower	2,000	-	-	2,000
Wastewater Utility - Operating	(1,716)	119,656	114,236	3,704
Wastewater Utility - Bond and Interest	2,825	258	2,825	258
Wastewater Utility - Depreciation	10,437	-	3,175	7,262
Wastewater Utility - Debt Reserve	17,350	-	-	17,350
Wastewater Utility - Construction	789	472,600	473,389	-
Fiduciary Fund:				
Payroll	(1,030)	127,602	131,918	(5,346)
Totals	<u>\$ 168,957</u>	<u>\$ 963,356</u>	<u>\$ 953,203</u>	<u>\$ 179,110</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 51,515	\$ 81,252	\$ 87,536	\$ 45,231
Motor Vehicle Highway	11,201	42,161	28,856	24,506
Local Road and Street	26,802	7,339	11,044	23,097
Economic Development Income Tax	29,256	35,354	16,946	47,664
Trash	4,985	23,146	24,952	3,179
Cumulative Capital Improvement	5,796	2,429	2,005	6,220
Cumulative Capital Development	4,257	2,463	-	6,720
Levy Excess	691	-	691	-
Proprietary Funds:				
Water Utility - Operating	6,677	62,718	67,096	2,299
Water Utility - Customer Deposit	12,702	2,060	1,856	12,906
Water Utility - Improvement - Water Tower	2,000	-	2,000	-
Wastewater Utility - Operating	3,704	124,827	123,369	5,162
Wastewater Utility - Bond and Interest	258	176	-	434
Wastewater Utility - Depreciation	7,262	-	7,262	-
Wastewater Utility - Debt Reserve	17,350	-	15,778	1,572
Fiduciary Fund:				
Payroll	(5,346)	149,826	151,499	(7,019)
Totals	<u>\$ 179,110</u>	<u>\$ 533,751</u>	<u>\$ 540,890</u>	<u>\$ 171,971</u>

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

TOWN OF CLARKS HILL  
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 (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 CLARKS HILL  
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 CLARKS HILL  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of examination:

- (1) Record balances were not properly reconciled to depository balances during the two year period.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not received, fund balances changed and not maintained, and mathematical errors.

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)

OVERDRAWN FUND BALANCES

The Payroll Fund was overdrawn in 2005 and 2006, and the Wastewater Operating Fund was overdrawn in 2005.

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)

RECEIPT ISSUANCE

Receipts were not issued for 2005 collections until May of 2006. Receipts that were written starting in May 2006 were based upon deposit ticket amounts and were not issued at time of receipt of the monies.

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)

ANNUAL REPORTS

The annual report for 2005 was not prepared by the unit and the prepared 2006 report did not accurately reflect the fund balances.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

TOWN OF CLARKS HILL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

DISTRIBUTION OF GROSS REVENUES TO THE VARIOUS FUNDS

As stated in prior Reports B22255 and B26757, gross revenues were not being distributed to the wastewater bond and interest fund in accordance with Revenue Bond Ordinance 74-2.

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)

CAPITAL ASSET RECORDS - TOWN

As previously reported in Reports B26757, B22255, B18067, and B10868 the Town does not maintain sufficient detailed records for the Town's capital assets.

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 form. 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)

CAPITAL ASSET RECORDS - UTILITIES

The Utilities do not maintain sufficient detailed records of capital assets for 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 Utilities' capital assets are not available, and records classifying and summarizing the Utilities' capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

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 form. 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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) No claims tested were signed by the Clerk-Treasurer.
- (3) Board approval was not documented on some claims.
- (4) Some claims or invoices were not accompanied by evidence in support of the receipt of goods or services.

TOWN OF CLARKS HILL  
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."

TOWN OF CLARKS HILL  
EXIT CONFERENCE

The contents of this report were discussed on October 18, 2007, with Tracy Davis, Clerk-Treasurer; and Clark Whitley, President of the Town Council. The officials concurred with our findings.