

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

EXAMINATION REPORT
OF
TOWN OF ROANN
WABASH COUNTY, INDIANA
January 1, 2005 to December 31, 2006



FILED
12/31/2007

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Janet Lyons

01-01-04 to 12-31-07

President of the Town Council

Daniel Yocum
Brady Brower
Steve Johnson

01-01-05 to 12-31-05
01-01-06 to 12-31-06
01-01-07 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 ROANN, WABASH COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Roann (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

December 20, 2007

TOWN OF ROANN
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY 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	\$ 113,173	\$ 90,530	\$ 64,249	\$ 139,454
Motor Vehicle Highway	44,742	12,260	6,486	50,516
Local Road and Street	12,457	2,727	14,276	908
Rainy Day	1,098	-	-	1,098
Cumulative Capital Improvement	2,381	1,237	541	3,077
Cumulative Fire	18,077	1,325	-	19,402
Economic Development Income Tax	20,738	6,737	2,853	24,622
Sanitation	1,729	13,682	15,097	314
Proprietary Funds:				
Water Utility - Operating	31,468	55,887	69,906	17,449
Water Utility - Bond and Interest	110,829	28,321	23,698	115,452
Water Utility - Depreciation	15,244	5,032	-	20,276
Water Utility - Customer Deposit	50	-	-	50
Wastewater Utility - Operating	8,252	154,152	150,011	12,393
Wastewater Utility - Bond and Interest	59,469	12,094	36,960	34,603
Wastewater Utility - Depreciation	12,857	5,362	20,238	(2,019)
Wastewater Utility - Debt Service Reserve	31,422	20,238	-	51,660
Wastewater Utility - Construction	-	47,550	47,138	412
Totals	<u>\$ 483,986</u>	<u>\$ 457,134</u>	<u>\$ 451,453</u>	<u>\$ 489,667</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 139,454	\$ 153,710	\$ 113,974	\$ 179,190
Motor Vehicle Highway	50,516	14,743	12,293	52,966
Local Road and Street	908	2,610	-	3,518
Rainy Day	1,098	-	-	1,098
Cumulative Capital Improvement	3,077	1,429	300	4,206
Cumulative Fire	19,402	176	3,200	16,378
Economic Development Income Tax	24,622	7,695	11,082	21,235
Sanitation	314	13,793	13,353	754
Levy Excess	-	1,089	-	1,089
Proprietary Funds:				
Water Utility - Operating	17,449	83,492	67,382	33,559
Water Utility - Bond and Interest	115,452	29,905	142,902	2,455
Water Utility - Depreciation	20,276	4,782	13,370	11,688
Water Utility - Customer Deposit	50	-	-	50
Wastewater Utility - Operating	12,393	252,957	207,522	57,828
Wastewater Utility - Bond and Interest	34,603	38,818	58,839	14,582
Wastewater Utility - Depreciation	(2,019)	9,921	350	7,552
Wastewater Utility - Debt Service Reserve	51,660	-	-	51,660
Wastewater Utility - Construction	412	454,500	453,808	1,104
Wastewater Utility - Construction Escrow	-	35,197	-	35,197
Totals	<u>\$ 489,667</u>	<u>\$ 1,104,817</u>	<u>\$ 1,098,375</u>	<u>\$ 496,109</u>

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

TOWN OF ROANN
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, public improvements, general administrative services, 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.

TOWN OF ROANN
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 (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.

Note 6. State Revolving Loan Fund

Under the terms of the State Revolving Loan Fund, revenue bonds have been purchased by the Indiana Bond Bank. The proceeds are set aside to finance the construction of additions and improvements to the sewage works system. Funds are loaned to the Town as construction costs are accrued to the maximum allowed. The State Revolving Fund loan established a maximum draw of \$514,000. As of December 31, 2006, the loan principal balance was \$432,655. Annual debt service requirements for the State Revolving Fund loan will not be determined until planned construction projects are completed.

TOWN OF ROANN
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT

December 31, 2006

The Town has entered into the following debt:

Description of Debt	Ending Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Notes and loans payable:		
State Revolving Fund Loan	\$ 432,655	\$ -
Revenue bonds:		
2005 Sewage Works Refunding Revenue Bonds	63,000	13,063
Total Wastewater Utility	\$ 495,655	\$ 13,063

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS

RECEIPTS NOT DEPOSITED

A comparison of receipts to the bank deposits for the period January 1, 2004 through November 13, 2007, indicated net undeposited receipts of \$10,338.54 as follows:

Undeposited receipts for the year 2004	\$ 3,001.77
Personal funds deposited by Janet Lyons, Clerk-Treasurer, on November 30, 2004	(2,100.00)
Cash long on November 30, 2004	(105.69)
Undeposited receipts for the year 2005	3,981.10
Undeposited receipts for the year 2006	2,781.29
Personal funds deposited by Janet Lyons, Clerk-Treasurer, on September 28, 2006	(1,000.00)
Undeposited receipts for the period January 1, 2007 to November 13, 2007	<u>3,780.07</u>
Total Net Receipts Not Deposited	<u>\$ 10,338.54</u>

Indiana State Police personnel interviewed Janet Lyons, Clerk-Treasurer, on November 15, 2007. She admitted to the theft of funds at that time.

At all times, the manual and/or 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)

Janet Lyons, Clerk-Treasurer, was requested to reimburse the Utilities \$9,787.84 and the Town \$550.70. Janet Lyons made reimbursement in full on December 22, 2007.

OVERPAYMENT OF SALARY

The Clerk-Treasurer was overpaid \$280 in 2005. The Clerk-Treasurer was scheduled to receive two payroll checks each month in 2005; however, she received four checks in September, four checks in October, one in November, and none in December. This resulted in one extra payroll check for that four month time period.

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)

Janet Lyons, Clerk-Treasurer, was requested to reimburse the Town \$280. Janet Lyons made reimbursement in full on December 22, 2007.

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXCESSIVE OR UNREASONABLE COSTS

The Water Utility's bank account balance was overdrawn on December 28, 2006, and was assessed an overdraft fee of \$25.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Janet Lyons, Clerk-Treasurer, was requested to reimburse the Water Utility \$25. Janet Lyons made reimbursement in full on December 22, 2007.

ADDITIONAL EXAMINATION COSTS - MISSING FUNDS

Additional examination fees of \$2,167.50 were incurred in the investigation of missing funds.

Audit costs incurred because of theft or shortage may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Janet Lyons, Clerk-Treasurer, was requested to reimburse the Town \$2,167.50. Janet Lyons made reimbursement in full on December 22, 2007.

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incorrect. A similar comment appeared in prior Report B25945.

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."

CONDITION OF RECORDS

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

- (1) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, receipts not posted to the proper funds, interest not posted, and nonsufficient funds checks incorrectly posted.
- (2) The Town has separate bank accounts for Town funds, Water Utility funds and Waste-water Utility funds. There were numerous occasions where receipts were deposited to the wrong bank account.
- (3) Some transactions were recorded as "negative" receipts and disbursements.

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 ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF PAYROLL RECORDS

The following conditions of records were noted for payroll:

- (1) Internal Revenue Service Forms W-2's or 1099's issued by the Town did not always agree with wages paid to the employees.
- (2) Payroll withholdings were not properly reported or remitted to the Internal Revenue Service or the Indiana Department of Revenue. The amount of withholdings paid was often incorrect and/or paid from the wrong fund. On several occasions, checks were prepared to remit the withholdings, but not submitted to the proper authority.
- (3) Employee's Earning Records (Form 99B) and Service Records (Form 99A) were not provided for the examination for 2005 or 2006.

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)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Examples include the 2006 Riverboat local tax distribution which was deposited 12 months later in August 2007. The 2006 Fall portion of CAGIT and CEDIT revenue distributions were not deposited until August 2007. Utility collections receipted in October 2005 were not deposited until December 23, 2005. The December 28, 2006, utility collections were not deposited until February 28, 2007.

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."

TIMELY RECORDKEEPING

Wastewater Construction Escrow Fund transactions were not recorded on a timely basis. Some entries on the records were posted eleven months after the original transaction date.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

In 2005, Local Road and Street Fund expenditures exceeded appropriations by \$5,409. In 2006, General Fund expenditures exceeded appropriations by \$2,384.

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

Unexpended balances of appropriations, for other than encumbrances by contract or purchase order, shall lapse at the close of each year. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1)

CHANGE ORDERS

The Town entered into a contract of \$765,553 for a Wastewater Improvement project. Change orders totaling \$205,563 were issued increasing the scope of the project which increased the original contract by 36.7%.

The total of all change orders issued that increase the scope of the project may not exceed twenty percent (20%) of the amount of the original contract. A change order issued as a result of circumstances that could not have been reasonably foreseen does not increase the scope of the project. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

Register of Investments (Form 350) was not in use during the period examined.

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)

ERRORS ON CLAIMS

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

- (1) Not all claims were adequately itemized or contained proper documentation.
- (2) Not all claims had board approval.
- (3) Some check numbers were incorrectly posted to the Appropriation Detail History.
- (4) Not all claims were paid in a timely manner.

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:

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

UNPAID HYDRANT RENTAL

As of December 31, 2006, the Town of Roann owes the Water Utility for hydrant rental of \$3,062 based upon the following:

Overpaid hydrant rental for 2004	\$ 6,804
Underpaid hydrant rental for 2005	(13,268)
Overpaid hydrant rental for 2006	<u>3,402</u>
Underpaid at December 31, 2006	<u>\$ (3,062)</u>

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

The capital asset records presented for examination were incomplete. Some capital assets were not recorded or were recorded at incorrect amounts.

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)

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. A similar comment appeared in prior Report B25945.

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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. . . ."

OFFICIAL BOND

Official bonds for the Town of Roann officials were not filed in the Office of the County Recorder.

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. . . ."

TOWN OF ROANN
EXIT CONFERENCE

The contents of this report were discussed on December 20, 2007, with Steve Johnson, President of the Town Council.

TOWN OF ROANN
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Janet Lyons, Clerk-Treasurer:			
Receipts Not Deposited - Utilities, page 8	\$ 9,787.84	\$	\$
Receipts Not Deposited - Town, page 8	550.70		
Overpayment of Salary, page 8	280.00		
Excessive or Unreasonable Costs, page 9	25.00		
Additional Examination Costs - Missing Funds, page 9	2,167.50		
Reimbursed by Janet Lyons on December 22, 2007,			
Receipt No. 2281		10,643.54	
Receipt No. 2282		2,167.50	-
	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 12,811.04</u>	<u>\$ 12,811.04</u>	<u>\$ -</u>