

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

EXAMINATION REPORT
OF
TOWN OF SOMERVILLE
GIBSON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
06/18/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary A. Dyer	01-01-04 to 12-31-11
President of the Town Council	Cecil Davis	01-01-06 to 12-31-06
	Bill Hutchinson	01-01-07 to 05-31-07
	Cecil Davis	06-01-07 to 12-31-08



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SOMERVILLE, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Somerville (Town), for the period of January 1, 2006 to December 31, 2007. 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, 2006 and 2007, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

April 29, 2008

TOWN OF SOMERVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 1,081	\$ 4,134	\$ 3,781	\$ 1,434
Motor Vehicle Highway	77	12,871	6,013	6,935
Local Road and Street	823	2,056	823	2,056
Major Moves Construction	-	2,141	-	2,141
Riverboat	327	1,964	-	2,291
EDIT	-	315	-	315
Fire Grant	17,459	131,360	141,208	7,611
Cumulative Capital Improvement	31	1,115	-	1,146
Totals	<u>\$ 19,798</u>	<u>\$ 155,956</u>	<u>\$ 151,825</u>	<u>\$ 23,929</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 1,434	\$ 2,663	\$ 3,582	\$ 515
Motor Vehicle Highway	6,935	17,755	12,187	12,503
Local Road and Street	2,056	1,956	3,000	1,012
Major Moves Construction	2,141	2,119	-	4,260
Riverboat	2,291	1,967	1,930	2,328
EDIT	315	382	-	697
Fire Grant	7,611	190,018	185,250	12,379
Cumulative Capital Improvement	1,146	1,096	1,662	580
Totals	<u>\$ 23,929</u>	<u>\$ 217,956</u>	<u>\$ 207,611</u>	<u>\$ 34,274</u>

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

TOWN OF SOMERVILLE
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: highways and streets 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 SOMERVILLE
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
Cumulative Capital Improvement	2007	<u>\$ 279</u>

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."

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

TOWN OF SOMERVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

TRANSACTION RECORDING

The Fire Grant Fund receipts and disbursements were not entered in the records of the Town of Somerville nor reported in the Town Annual Report (CTAR). The EDIT Fund was not properly accounted for in the records of the Town as well. Receipts for the EDIT Fund were receipted to the Local Road and Street Fund.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The fiscal officer of each city or town in a county in which the county economic development tax is imposed shall establish an economic development income tax fund. The revenue received by a city or town shall be deposited in the unit's economic development income tax fund. (Cities and Towns Bulletins, June, 2007, p. 10)

TOWN OF SOMERVILLE
EXIT CONFERENCE

The contents of this report were discussed on April 30, 2008, with Mary A. Dyer, Clerk-Treasurer. The official concurred with our findings.