

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

EXAMINATION REPORT

OF

TOWN OF RUSSELLVILLE

PUTNAM COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
08/22/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet K. Smith Sally Spencer McAfee	10-05-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Sally Spencer McAfee Donald W. Reddish	01-01-06 to 12-31-07 01-01-08 to 12-31-08
Superintendent of Water Utility	Steve Gant William M. Varvel	01-01-06 to 08-31-06 09-01-06 to 12-31-08



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF RUSSELLVILLE, PUTNAM COUNTY, INDIANA

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

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

July 7, 2008

TOWN OF RUSSELLVILLE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 17,376	\$ 50,018	\$ 58,138	\$ 9,256
Motor Vehicle Highway	14,160	18,098	4,675	27,583
Local Road and Street	475	2,491	-	2,966
Park and Recreation	183	-	183	-
Law Enforcement Continuing Education	238	-	-	238
EDIT	10,892	-	2,999	7,893
Cumulative Capital Improvement	2,320	1,214	-	3,534
Proprietary Funds:				
Water Utility - Operating	40,047	116,011	119,954	36,104
Water Utility - Bond and Interest	44,624	374	-	44,998
Water Utility - Customer Deposit	1,225	400	125	1,500
Totals	<u>\$ 131,540</u>	<u>\$ 188,606</u>	<u>\$ 186,074</u>	<u>\$ 134,072</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 9,256	\$ 58,113	\$ 53,909	\$ 13,460
Motor Vehicle Highway	27,583	15,397	5,998	36,982
Local Road and Street	2,966	4,829	5,500	2,295
Law Enforcement Continuing Education	238	20	-	258
EDIT	7,893	39	-	7,932
Cumulative Capital Improvement	3,534	1,194	-	4,728
Proprietary Funds:				
Water Utility - Operating	36,104	110,021	97,943	48,182
Water Utility - Bond and Interest	44,998	444	5,750	39,692
Water Utility - Customer Deposit	1,500	550	50	2,000
Totals	<u>\$ 134,072</u>	<u>\$ 190,607</u>	<u>\$ 169,150</u>	<u>\$ 155,529</u>

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

TOWN OF RUSSELLVILLE
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 (Indiana Code 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 RUSSELLVILLE
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 (Indiana Code 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. Restatements

For the year ended December 31, 2005, certain changes have been made to the financial statements to more appropriately reflect financial activity of the Town of Russellville. The following schedule presents a summary of restated beginning balances by opinion unit. Prior period adjustments represent corrections to cash balances.

<u>Opinion Unit</u>	<u>Balance as Reported December 31, 2005</u>	<u>Prior Period Adjustments</u>	<u>Balance as Restated January 1, 2006</u>
General Fund	\$ 28,268	\$ (10,892)	\$ 17,376
EDIT Fund	-	10,892	10,892

TOWN OF RUSSELLVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2007

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Water Utility		
Loans:		
Water Utility Improvement Loan	\$ 52,000	\$ 5,600

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS (Town and Water Utility)

As stated in prior Reports B24680 and B27556, the Town and Water Utility did not maintain a capital asset record for additions and deletions. An inventory of all capital assets owned has not been taken.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

POSTING ERROR (Town)

In 2007, the Major Moves Construction Fund distribution from the Auditor of State was incorrectly posted to the Town's Local Road and Street Fund. On July 7, 2008, the Clerk-Treasurer properly corrected the posting by transferring the distribution from the Local Road and Street Fund to the Motor Vehicle Highway Fund.

Indiana Code 8-14-14-6(a) states in part: "Notwithstanding Indiana Code 8-14-1, on or before October 15, 2006, and on or before October 15, 2007, the auditor of state shall distribute seventy-five million dollars (\$75,000,000) of the money deposited in the motor vehicle highway account under this subdivision to each of the counties, cities, and towns eligible to receive a distribution from the motor vehicle highway account under Indiana Code 8-14-1 and in the same proportion among the counties, cities, and towns as funds are distributed from the motor vehicle highway account under Indiana Code 8-14-1 . . . Money distributed under this subdivision may be used only for purposes that money distributed from the motor vehicle highway account may be expended under Indiana Code 8-14-1."

GUARANTEE DEPOSIT REGISTER (Water Utility)

As stated in prior Report B27556, the Guarantee Deposit Register does not reconcile with the Water Customer Deposit fund balance due to past posting errors. The current Clerk-Treasurer is attempting to correct the Guarantee Deposit Register.

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)

PENALTIES, INTEREST AND OTHER CHARGES (Town and Water Utility)

In 2006 and 2007, penalties and interest were paid to vendors.

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally, officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS (Town and Water Utility)

In 6 of the 20 disbursements tested for the Town, Accounts Payable Voucher, Town Form 39, was not in use.

In 7 of 20 disbursements tested for the Water Utility, Municipal Water Utility Accounts Payable Voucher, Utility Form 301, was not in use.

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)

APPROPRIATIONS (Town)

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2006	<u>\$ 3,576</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."

TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on July 7, 2008, with Sally Spencer McAfee, Clerk-Treasurer; and Donald W. Reddish, President of the Town Council. The officials concurred with our findings.