

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

EXAMINATION REPORT

OF

TOWN OF INGALLS

MADISON COUNTY, INDIANA

January 1, 2006 to December 31, 2007



FILED
08/25/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	William Kipling Golden	01-01-04 to 12-31-11
President of the Town Council	Patrick Fox Charles D. Dowden	01-01-06 to 12-31-06 01-01-07 to 12-31-08
Water Utility Superintendent	Randy McVey	01-01-06 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 INGALLS, MADISON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Ingalls (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 22, 2008

TOWN OF INGALLS
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, 2006 And 2007

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 127,365	\$ 421,280	\$ 449,823	\$ 98,822
Motor Vehicle Highway	5,012	44,013	49,789	(764)
Local Road and Street	6,770	12,755	4,448	15,077
Park and Recreation	28,073	25,365	25,823	27,615
Law Enforcement Continuing Education	1,251	325	1,080	496
Food and Beverage Tax	231	25,000	23,841	1,390
Building Permits	5,596	10,581	20,915	(4,738)
Criminal Justice	4	-	-	4
Fire Department Equipment	1,592	6,589	12,081	(3,900)
Police Equipment	5,917	4,933	6,433	4,417
Cumulative Capital Improvement	10,721	4,173	3,371	11,523
Cumulative Capital Development	11,065	7,495	4,136	14,424
Proprietary Funds:				
Water Utility - Operating	323,640	1,280,755	1,337,357	267,038
Water Utility - Bond and Interest	121,489	442,843	456,622	107,710
Water Utility - Depreciation	59,830	480	-	60,310
Water Utility - Customer Deposit	46,958	17,572	6,898	57,632
Water Utility - Construction	-	1,230,139	653,385	576,754
Water Utility - Debt Service	144,347	354,472	230,690	268,129
Storm Water Utility	20,965	37,438	47,227	11,176
Fiduciary Funds:				
Levy Excess Fund	-	9,611	-	9,611
Payroll Fund	1,276	330,707	293,096	38,887
Totals	<u>\$ 922,102</u>	<u>\$ 4,266,526</u>	<u>\$ 3,627,015</u>	<u>\$ 1,561,613</u>

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

TOWN OF INGALLS
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, 2006 And 2007
(Continued)

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 98,822	\$ 507,743	\$ 505,859	\$ 100,706
Motor Vehicle Highway	(764)	43,371	40,389	2,218
Local Road and Street	15,077	12,806	6,117	21,766
Park and Recreation	27,615	352	15,683	12,284
Law Enforcement Continuing Education	496	1,611	3,274	(1,167)
Food and Beverage Tax	1,390	-	873	517
Ambulance	-	42,132	20,635	21,497
Animal	-	4,885	6,393	(1,508)
Building Permits	(4,738)	21,738	10,809	6,191
Criminal Justice	4	-	-	4
Fire Department Equipment	(3,900)	6,650	1,430	1,320
Police Equipment	4,417	4,801	3,122	6,096
Cumulative Capital Improvement	11,523	4,102	1,886	13,739
Cumulative Capital Development	14,424	22	5,299	9,147
Proprietary Funds:				
Water Utility - Operating	267,038	1,096,723	1,320,809	42,952
Water Utility - Bond and Interest	107,710	191,571	181,737	117,544
Water Utility - Depreciation	60,310	471	-	60,781
Water Utility - Customer Deposit	57,632	13,551	6,750	64,433
Water Utility - Construction	576,754	26,981	1,471	602,264
Water Utility - Debt Service	268,129	17,434	444	285,119
Storm Water Utility	11,176	39,138	35,257	15,057
Fiduciary Funds:				
Levy Excess Fund	9,611	37,577	-	47,188
Payroll	38,887	386,432	332,063	93,256
Totals	<u>\$ 1,561,613</u>	<u>\$ 2,460,091</u>	<u>\$ 2,500,300</u>	<u>\$ 1,521,404</u>

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

TOWN OF INGALLS
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, culture and recreation, water, 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).

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 INGALLS
 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
Governmental Activities:		
Capital leases:		
2004 Fire Department Vehicle Lease	\$ 65,286	\$ 20,148
2006 Police Vehicle	11,845	4,986
2007 Police Vehicle	<u>16,854</u>	<u>4,608</u>
Total governmental activities debt	<u>\$ 93,985</u>	<u>\$ 29,742</u>
Business-type Activities:		
Water Utility		
Notes and Loans Payable		
2001 Water SRF Loan	\$ 1,764,003	\$ 25,578
2006 Water SRF Loan	<u>600,000</u>	<u>32,320</u>
Total Water Utility	<u>2,364,003</u>	<u>57,898</u>
Total business-type activities debt:	<u>\$ 2,364,003</u>	<u>\$ 57,898</u>

TOWN OF INGALLS
EXAMINATION RESULTS AND COMMENTS

RETIREMENT PLAN

In June 2003, the Town Council approved participation in a Savings Incentive Match Plan for Employees of Small Employers Individual Retirement Account (SIMPLE IRA) plan. Under this plan, employees may choose to make salary reduction contributions to the SIMPLE IRA rather than receiving these amounts as part of their regular compensation. In addition, the employer contributes matching or nonelective contributions on behalf of eligible employees not to exceed 3% of the employee's salary. All contributions under this plan are deposited into a SIMPLE IRA established for each eligible employee. During 2006 and 2007, the Town made matching contributions of \$4,006 and \$4,191, respectively, for the five employees whom participated in the plan. A similar comment appeared in the two previous reports.

Pursuant to Indiana Code 5-10.2-2-1, a city or town has no authority to establish a local pension plan by ordinance, resolution or contract after January 1, 1995, without specific statutory authority.

In reviewing the Indiana Code, the following pension plans are available to employees of a city or town:

	<u>Indiana Code</u>
Public Employees' Retirement Fund	5-10.3
Police Pension Fund - First Class Cities (1953 Police Pension Fund)	36-8-7.5
1925 Police Pension Fund	36-8-6
1937 Firefighter's Pension Fund	36-8-7
1977 Police Officers' and Firefighters' Pension and Disability Fund	36-8-8
Municipal Utility Employees' Pension Fund	8-1.5-3-7
City Hospitals - Third Class Cities	16-23-1-25(c)
Housing Authorities	36-7-18-10(d)
Department of Redevelopment	36-7-14-12.2 (15)
Deferred Compensation	5-10-1.1

Federally authorized individual retirement accounts and Social Security are the only other pension plans available to city and town employees. Inquiries relative to participation in the Public Employees' Retirement Fund should be directed to the Public Employees' Retirement Fund, Suite 800, Harrison Building, 143 Market Street, Indianapolis, Indiana, 46204, telephone 232-1615, area code 317. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PERSONNEL REPORT

The Form 100-R, Certified Reports of Names, Addresses, Duties and Compensation of Public Employees for 2006 and 2007 were not filed with the State Board of Accounts during the examination period.

Indiana Code 5-11-13 states in part: After this form is prepared it should be filed during the month of January each year with the State Examiner, State Board of Accounts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

TOWN OF INGALLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

Two Town employees received payments of \$16,884.75 and \$2,734.52, respectively, which were included in the payroll system but not on the 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)

ERRORS ON CLAIMS

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

Claims or invoices in four instances did not have adequate supporting documentation.

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."

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ADDITIONAL COMPENSATION

Eight Town employees, three Town police officers, and ten Town reserve deputies each received \$50 VISA gift certificates in 2007. These payments were said to be Christmas bonuses. The VISA gift card payments were not included in the payroll system or on the original 2007 salary ordinance or resolution. The value of the VISA gift card monies were not reflected in the employee W2's.

TOWN OF INGALLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

Subsequently, in June of 2008, the Town Council retroactively amended the 2007 salary ordinance to include the amounts paid out with the \$50 VISA gift certificates.

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)

ADVANCE PAYMENTS

Employees are paid currently. This means that employees are compensated for work performed during the same pay period that they perform the work. Employees are paid on Thursday afternoon and the pay period does not end until later that night. The pay period runs Friday - Thursday, with payday being on that same Thursday, so employees are paid before they actually perform the work.

Compensation and any other payments for goods and services should not be paid in advance of receipt of the goods or services unless specifically authorized by statute. Payments made for goods or services which are not received may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not presented for examination. Per the Clerk-Treasurer, they were kept on his computer in the software used by the Town, but he is unable to open the previous years' service and time records.

Also, not all the withholding information was presented for examination. Some employees were missing W-4's, or WH-4's, and some are missing both.

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

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

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2006	\$ 69,704
Motor Vehicle Highway	2006	12,429
General	2007	26,915
Recreation	2007	8,372

TOWN OF INGALLS
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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances presented for examination were incorrect. The unit's reconciliation at December 31, 2007, was \$976.08 long.

The Town prints monthly reports which document the individual fund balances. Comparison between the December 2006 monthly report and the January 2007 monthly report indicates the balances of four funds at December 31, 2006, were decreased at January 1, 2007. The total decrease also happened to be \$976.08. The unit was not able to pinpoint the exact transactions which led to the changes in fund balances.

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."

CAPITAL ASSET RECORDS

Capital asset records for the Town and Utility were not presented for examination. A similar comment appeared in the three previous reports.

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)

LOANS FROM WATER UTILITY IN ANTICIPATION OF TAXES TO BE COLLECTED

In November of 2006 \$75,000 was loaned from the Water Utility to the General Fund. In September 2007 another \$150,000 was loaned from the Water Utility to the General Fund. These monies remain unpaid as of the end of the examination period. Similar \$75,000 and \$5,000 loans were made in 2005 and 2004 respectively. These monies also remain unpaid.

Indiana Code 8-1.5-3-12 states:

"(a) A municipality may, by ordinance of its legislative body, borrow money from a utility owned by the municipality for current purposes in anticipation of taxes levied and to be collected during the current or following year."

"(b) The board may by resolution lend money to the municipality if the utility has on hand:

- (1) a surplus of cash exceeding by at least the amount loaned the sum of all amounts required to pay the indebtedness of the utility falling due during the current calendar year and the following year;

TOWN OF INGALLS
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (2) the amount necessary to meet current expenses during the year; and
- (3) the amount necessary to pay for improvements contemplated to be made during the current calendar year minus the estimated receipts during the calendar year."

"(c) A loan may not be made for a sum in excess of fifty percent (50%) of the amount estimated to be collected from anticipated taxes.

The loan:

- (1) must be evidenced by an obligation of the municipality;
- (2) must be signed by the executive;
- (3) is due on or before thirty (30) days after the last day for the payment of anticipated taxes; and
- (4) may bear interest at any rate as determined by the board, payable at maturity."

TOWN OF INGALLS
EXIT CONFERENCE

The contents of this report were discussed on July 22, 2008, with William Kipling Golden, Clerk-Treasurer; and Charles D. Dowden, President of the Town Council.