

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

EXAMINATION REPORT
OF
TOWN OF MCCORDSVILLE
HANCOCK COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
10/29/2008

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Catherine C. Gardner	01-01-04 to 12-31-11
President of the Town Council	Jennifer Williams	01-01-06 to 12-31-07
	Barry Wood	01-01-08 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 MCCORDSVILLE, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of McCordsville (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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

August 18, 2008

TOWN OF MCCORDSVILLE
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	\$ 141,091	\$ 1,257,608	\$ 1,181,978	\$ 216,721
Motor Vehicle Highway	89,183	103,599	117,460	75,322
Local Road and Street	28,951	20,831	18,507	31,275
Law Enforcement Continuing Education	2,134	2,153	894	3,393
Riverboat	21,472	-	-	21,472
Rainy Day	204,292	97,883	-	302,175
Donation	100	-	-	100
Cumulative Capital Improvement	17,665	7,176	22,260	2,581
NASA Grant	-	1,798	1,798	-
Investment Fund	-	25,964	25,964	-
LLE Aid Investigation	-	7,583	6,942	641
Proprietary Funds:				
Wastewater Utility - Operating	297,009	967,259	982,756	281,512
Wastewater Utility - Bond and Interest	-	67,495	67,495	-
Wastewater Utility - Developer	110,152	172,701	193,918	88,935
Wastewater Utility - Customer Deposit	46,429	13,875	1,925	58,379
Wastewater Utility - Sewer Improvement Bond	1,462,871	502,993	33,994	1,931,870
Wastewater Utility - CCIF	199,477	627,297	286,664	540,110
Wastewater Utility - Debt Reserve	90,935	25,964	25,337	91,562
Wastewater Utility - Storm Water Operating	493	261,627	137,811	124,309
Fiduciary Funds:				
Payroll	6,855	711,816	713,496	5,175
Levy Excess	2,246	-	2,246	-
Totals	\$ 2,721,355	\$ 4,875,622	\$ 3,821,445	\$ 3,775,532

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 216,721	\$ 1,460,021	\$ 1,458,382	\$ 218,360
Motor Vehicle Highway	75,322	327,646	296,062	106,906
Local Road and Street	31,275	21,283	52,558	-
Law Enforcement Continuing Education	3,393	2,301	1,546	4,148
Riverboat	21,472	-	-	21,472
Rainy Day	302,175	282,402	-	584,577
Donation	100	500	-	600
Cumulative Capital Improvement	2,581	3,983	6,000	564
NASA Grant	-	2,432	2,432	-
LLE Aid Investigation	641	5,611	-	6,252
McCordsville Marketing	-	1,000	-	1,000
Proprietary Funds:				
Wastewater Utility - Operating	281,512	970,471	973,306	278,677
Wastewater Utility - Developer	88,935	279,090	277,530	90,495
Wastewater Utility - Customer Deposit	58,379	15,397	3,825	69,951
Wastewater Utility - Sewer Improvement Bond	1,931,870	425,769	169,255	2,188,384
Wastewater Utility - CCIF	540,110	582,000	300,000	822,110
Wastewater Utility - Debt Reserve	91,562	182	25,811	65,933
Wastewater Utility - Storm Water Operating	124,309	166,295	58,172	232,432
Fiduciary Fund:				
Payroll	5,175	912,276	905,148	12,303
Totals	\$ 3,775,532	\$ 5,458,659	\$ 4,530,027	\$ 4,704,164

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

TOWN OF MCCORDSVILLE
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, highway and street, culture and recreation, general administrative services, wastewater, and storm water.

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).

TOWN OF MCCORDSVILLE
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. Retirement Benefit

All regular full-time employees of the Town who have served their 90 day Introductory Period are eligible to participate in the Town's retirement plan. Employees electing to participate in the Town's retirement plan may opt to have a certain amount of money from his/her paycheck, to be deposited directly to his/her individual "457" retirement plan. Full-time employees, regardless of personal deposits, shall have \$1,000 per year deposited by the Town into the "retirement plan" each year after the employee has completed 1 full year continuous employment. Said deposits will be made at the date specified in the current year's Municipal Salary Ordinance. In addition to personal deposits and the Town's deposits, employees that receive longevity pay may opt to have said longevity pay deposited directly into their retirement plan account, in lieu of receiving said pay as a lump sum annual payment. This benefit, reminiscent of both the health and life insurance benefits, has the possibility of change. A summary on this particular benefit shall be available for review in the Clerk-Treasurer's office.

TOWN OF MCCORDSVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2007

General infrastructure assets are included if acquired (purchased, constructed, or donated) after July 1, 1980, or if they received major renovations, restorations, or improvements after that date. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year.) As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 25,000
Infrastructure	361,174
Machinery and equipment	<u>423,916</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 810,090</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	\$ 28,100
Buildings	18,000
Improvements other than buildings	7,690,592
Machinery and equipment	<u>186,599</u>
 Total Wastewater Utility capital assets	 <u>7,923,291</u>
 Storm Water Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	<u>3,562,340</u>
 Total Storm Water Utility capital assets	 <u>3,562,340</u>
 Total business-type activities capital assets	 <u>\$ 11,485,631</u>

TOWN OF MCCORDSVILLE
 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:		
2006 GMAC(1)	\$ 6,958	\$ 2,319
2006 (3) Fords	35,767	19,417
2007 (4) Fords	65,973	25,093
2008 (1) Fords	<u>5,919</u>	<u>16,693</u>
Total governmental activities debt	<u>\$ 114,617</u>	<u>\$ 63,522</u>
Business-type Activities:		
Wastewater Utility		
Capital leases:		
2006 GMAC(1)	\$ 6,958	\$ 2,319
Revenue bonds:		
SRF	<u>665,000</u>	<u>64,375</u>
Total Wastewater Utility	<u>671,958</u>	<u>66,694</u>
Total business-type activities debt	<u>\$ 671,958</u>	<u>\$ 66,694</u>

TOWN OF MCCORDSVILLE
EXAMINATION RESULTS AND COMMENTS

CASH NECESSARY TO BALANCE, BANK RECONCILIATION

A comparison of the records to the bank account indicated cash necessary to balance of \$939.48 at December 31, 2007.

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)

FINANCE CHARGES

Finance charges totaling \$584.87 were paid during the examination period. These finance charges were assessed due to late monthly payments made on charge cards.

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)

PURCHASING BONUSES

The Town received free merchandise from Staples and Office Depot for purchases of office, refreshments, paper, and cleaning supplies during the examination period. Various employees of the Town stated the free merchandise was distributed to Town employees as gifts at Christmas time. The merchandise's value totaled \$1,186.12.

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)

TRANSACTION RECORDING - UTILITY COLLECTIONS

The customer payments (payment stubs from the utility bills) did not agree with the postings of the collections to the Utility records. We tested the month of October 2007 which had 12 days of collection postings. The payment stubs are used to post the customer payment postings report. All of the customer payment posting reports agreed with the deposits for those days. On 11 days the payment stubs did not agree with the daily customer payment posting report of those payments. With additional work, the Utility Clerk and field examiner were able to locate the difference on 2 days. One day's payment stubs were not presented for examination.

TOWN OF MCCORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Supporting documentation such as receipts, canceled checks, 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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit fund balance. The detail customer deposit register totals were \$6,353.79 and \$5,626.04 less than the fund balances at December 31, 2006 and 2007, respectively. The prior examination indicated the customer deposit register total was larger than the fund balance by \$1,181.96. This indicated a reversal of position.

One problem noted was that all customer deposits may not be included in the customer deposit register. One customer deposit fee of \$75 was recorded in the fund balance and located on the cash receipt batch log, but the deposit and the customer's associated account number were not located in the sewer billing system beyond this initial deposit. This customer's deposit is not included in the customer deposit register. No explanation was provided for this problem.

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)

RECEIPT ISSUANCE - UTILITY

Receipts were not always issued by the Utility office. Routine payments for billed services did not require a separate receipt. The payment stub marked with the payment was sufficient as the receipt. The Utility office collected some funds which were not part of the normal billed services. If these payments were received in the form of a check, no receipt was issued. The most common instance of failing to issue a receipt occurred when a person paid for customer deposits with a check.

The Utility office was not using the prescribed receipt form (General Receipt Form 352).

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)

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 MCCORDSVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

PERSONAL COSTS

The Town and Wastewater Utility funds were used to purchased items for office use, such as, coffee, coffee add-ins, snacks, lemon aid, tea and holiday cards during the examination period.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF MCCORDSVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 18, 2008, with Catherine C. Gardner, Clerk-Treasurer; and Tonya Galbraith, Town Manager. The official response has been made a part of this report and may be found on pages 13 through 16.



**5759 W. Broadway
McCordsville, IN 46055
317-335-3151
www.mccordsville.org**

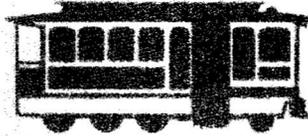
TO: State Board of Accounts
FROM: Town of McCordsville
DATE: Aug. 21, 2008
RE: Official Response

Please find attached two Official Response letters. One is from the McCordsville Clerk-Treasurer and one from the Town Manager.

RECEIVED

AUG 21 2008

STATE BOARD OF ACCOUNTS



Office of the Clerk-Treasurer
Catherine C. Gardner
5759 W. Broadway
McCordsville, Indiana 46055
(317) 335-2810
cgardner@mccordsville.org

August 21, 2008

State Board of Accounts
302 W. Washington Street
Room E 418
Indianapolis, IN 46204-2765

RE: OFFICIAL RESPONSE

Gentlemen:

This letter is in response to the audit exit conference held August 18, 2008 which covered the years 2006 and 2007. I feel that an explanation/rebuttal should be attached to the documentation to more clearly represent the Town's position.

Cash Necessary to Balance, Bank Reconciliation

We understand that it is not necessary to wait for an audit to correct issues that would bring the bank statements into balance. Postings have already been made to correct this issue.

Finance Charges

The Clerk-Treasurer's office provides credit cards to department heads only. In today's purchasing venue, it is difficult to operate without them. In two years of audit, there were two late payments made. Because department heads rely on the credit cards for many purchases as well as registrations for events, the monthly amount due can be significant. If a late payment is made, the resulting penalty and interest reflect this. While we endeavor to always pay bills in a timely fashion, errors will occur. I comment on this not to excuse it but to suggest that these types of errors could be avoided if payments could be made via internet payments. Not only would many late fees be avoided but savings would result as well with lessening the need to use paper checks and pay postage. The other important benefit to Clerk-Treasurers is that they would not be placed in the position of having to revoke the use of credit cards in order to avoid late fees which is our only current option.

Purchasing Bonuses

I would like to clarify that the “free merchandise” resulted for a “Rewards” program that the Town belongs to that enables us to make purchases at a lower cost. The merchandise we received did not add to the cost of the original purchase.

Personal Costs

We acknowledge that we must find a new way to finance the items listed in this category that are purchased for the Wastewater Utility. We understand that those similar items purchased for the Town are done so properly. I would like to clarify again that the items are purchased for use solely in the course of business. I am concerned that terming them “Personal Costs” might be misconstrued that they are being obtained for use outside work.

Yours truly,



Cathy Gardner
Clerk-Treasurer



Office of Town Manager
5759 W. Broadway
McCordsville, IN 46055
317-335-3151
www.mccordsville.org

Aug. 20, 2008

State Board of Accounts
302 W. Washington St., Room E418
Indianapolis, IN 46204-2765

Re: **OFFICIAL RESPONSE**

To Whom it May Concern:

On Aug. 18, 2008 our Exit Conference was conducted to discuss the Officials' Response. We wish to comment on the following item found in the "Examination Results and Comments".

On the item entitled "TRANSACTION RECORDING – UTILITY COLLECTIONS" is was commented that the payment stubs did not agree with the postings of the collections to the Utility records and that one day's payment stubs were not presented for examination. After discussing this comment with our Utility Department staff they went back through their records to try to determine what might have happened. They went back through the stubs and the monthly journal that had been reviewed by the Auditor and found that on the date that the Auditor could not find stubs it was noted on the page in the monthly journal that the payments were liens. It was the day that one county check for several lien accounts was applied. By looking at the checking account we feel that it should have been apparent and transparent that it was one payment and that there were no stubs for that day.

We appreciate the opportunity to provide our comments.

Sincerely,

Tonya Galbraith
Town Manager