

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

EXAMINATION REPORT
OF
TOWN OF BURKET
KOSCIUSKO COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/04/2008

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances	4
Notes to Financial Information	5
Examination Results and Comments:	
Capital Asset Records	6
Compensation Reported on W-2s	6
Penalties, Interest, and Other Charges	6-7
Certified Report Not Filed	7
Official Bonds.....	7
Tax Distributions	7-8
Exit Conference.....	9

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Jim Marshall	01-01-06 to 09-30-06
	April Baxter	10-01-06 to 07-24-07
	Sondra Warner	07-25-07 to 12-31-11
President of the Town Council	Tona Huff	01-01-06 to 12-31-07
	Mary Marshall	01-01-08 to 12-31-08



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 BURKET, KOSCIUSKO COUNTY, INDIANA

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

October 22, 2008

TOWN OF BURKET
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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	\$ 42,489	\$ 43,168	\$ 18,779	\$ 66,878
Motor Vehicle Highway	12,346	7,366	7,798	11,914
Local Road and Street	7,017	2,215	4,000	5,232
Cumulative Capital Improvement	967	697	-	1,664
Cumulative Capital Development	1,546	1,502	-	3,048
County Economic Development Income Tax	14,618	6,282	748	20,152
Levy Excess	1,444	-	-	1,444
Totals	<u>\$ 80,427</u>	<u>\$ 61,230</u>	<u>\$ 31,325</u>	<u>\$ 110,332</u>

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 66,878	\$ 24,089	\$ 18,581	\$ 72,386
Motor Vehicle Highway	11,914	7,217	5,609	13,522
Local Road and Street	5,232	2,220	-	7,452
Cumulative Capital Improvement	1,664	685	-	2,349
Cumulative Capital Development	3,048	10	-	3,058
County Economic Development Income Tax	20,152	7,363	2,163	25,352
Levy Excess	1,444	-	-	1,444
Totals	<u>\$ 110,332</u>	<u>\$ 41,584</u>	<u>\$ 26,353</u>	<u>\$ 125,563</u>

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

TOWN OF BURKET
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 (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.

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 BURKET
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

Capital asset records are not maintained by the Town.

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 form. 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)

COMPENSATION REPORTED ON W-2S

The 2006 wages reported on the W-2s to the Internal Revenue Service and the Social Security Administration did not agree to the wages posted to the records of the Town and amounts reported on the 941 Quarterly Federal Tax Returns. The 2006 wages posted to the records of the Town total \$7,799.89, while the 2006 wages reported on the W-2s to the Internal Revenue Service and the Social Security Administration totaled \$4,241.66.

Based on the 2006 wages posted in the records of the Town, the tax liability for 2006 is \$1,814.94. In 2006 and 2007, the Town paid \$2,139.60 in taxes for 2006. This amount was based on the wages reported on Form 941 Quarterly Federal Tax Returns. Based on the comparison of the liability calculated using the wages posted to the records and the amount paid by the Town, the Town made an overpayment to the Internal Revenue Service of \$324.61.

In addition, the total income tax withheld from wages, tips, and other compensation as reported on Form 941 for 2006: Employer's Quarterly Federal Tax Return improperly calculated. This line is used to report federal withholdings withheld from the employees only. It does not include social security and medicare withholdings withheld from the employees.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$50.14 were paid to the Indiana Department of Workforce Development for the late filing of the 2006 and 2007 Worker Training Fund assessment.

On March 10, 2008, penalties totaling \$252.67 were paid to the Internal Revenue Service for the late payment of the 2007 fourth quarter 941 tax liability.

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.

TOWN OF BURKET
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2006 and 2007.

Indiana Code 5-11-13-1 states in part: "Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

OFFICIAL BONDS

Official bonds for the Clerk-Treasurers covered by our examination period were not filed in the office of the County Recorder. In addition, the bonds cover a one year period only. The bond should cover the term of office. The Clerk-Treasurer is elected for a four year term. The bond should be purchased for a corresponding time period.

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. . . ."

TAX DISTRIBUTIONS

Some of the 2006 and 2007 local tax distributions were posted to the wrong funds. Below is a schedule of where the distributions were posted and where they should have been posted.

Year	Distribution Should Be Posted To	Distribution Was Posted To	Amount
2006	Cumulative Capital Development	General Fund	\$ 679.03
2006	Economic Development Income Tax	General Fund	6,281.50
2007	Cumulative Capital Development	General Fund	587.37
2007	Economic Development Income Tax	General Fund	6,241.50
2007	Rainy Day	Economic Development Income Tax	1,121.41

The above amounts should be transferred to the correct funds.

TOWN OF BURKET
EXAMINATION RESULTS AND COMMENTS
(Continued)

The fiscal officer of each city or town 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 to the unit's economic income tax fund. (Cities and Towns Bulletins, June 2007)

Supplemental distributions of CAGIT money shall be deposited in accordance with IC 6-3.5-1.1-21.1 which states that the civil taxing unit receiving the money shall deposit the money in the civil taxing unit's rainy day fund. (Cities and Towns Bulletins, March 2007)

TOWN OF BURKET
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2008, with Sondra Warner, Clerk-Treasurer; and Jim Marshall, former Clerk-Treasurer. The officials concurred with our findings.