

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

EXAMINATION REPORT
OF
TOWN OF VERSAILLES
RIPLEY COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
12/31/2008

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Ted Spurlock
Kiersten B. Libby

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the Town Council

Sue Meisberger
John Holzer

01-01-06 to 12-31-07
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 VERSAILLES, RIPLEY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Versailles (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. The Schedule 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

November 3, 2008

TOWN OF VERSAILLES
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		Cash and Investments	
	01-01-06	Receipts	Disbursements	12-31-06
Governmental Funds:				
General	\$ 10,986	\$ 557,529	\$ 460,467	\$ 108,048
Motor Vehicle Highway	19,210	69,875	87,195	1,890
Local Road and Street	(10,190)	13,909	-	3,719
Park and Recreation	8,910	5,079	11,403	2,586
Law Enforcement Continuing Education	1,090	1,961	2,000	1,051
Riverboat	427,118	150,062	272,347	304,833
Economic Development Income Tax	45,640	41,637	29,998	57,279
Industrial Park Gift	7,040	-	-	7,040
Belterra	6,333	15,310	21,643	-
Rising Sun Foundation Grant	-	5,690	5,690	-
Tyson Fund	-	312,233	5,000	307,233
Riverboat Wagering Tax Revenue Sharing	-	16,265	-	16,265
Rainy Day	14,346	-	-	14,346
Cumulative Capital Improvement	38,769	6,373	11,020	34,122
Sidewalk Project	1,043	-	-	1,043
Cumulative Capital Development - Fire Building Debt	661	3,693	3,300	1,054
Police - Other Fund	-	2,585	2,585	-
MVH - Major Moves	-	12,240	-	12,240
Proprietary Funds:				
Water Utility - Operating	100,175	539,229	581,519	57,885
Water Utility - Bond and Interest	43,555	111,838	114,000	41,393
Water Utility - Depreciation	71,828	-	-	71,828
Water Utility - Customer Deposit	43,988	8,075	6,475	45,588
Water Utility - Construction	50,000	1,192,640	1,024,194	218,446
Wastewater Utility - Operating	157,194	391,715	314,997	233,912
Wastewater Utility - Bond and Interest	250,363	84,916	117,368	217,911
Wastewater Utility - Depreciation	6,256	-	-	6,256
Wastewater Utility - Debt Service Reserve	87,604	3,495	-	91,099
Wastewater Utility - Construction	(67,908)	67,908	-	-
Water and Wastewater Utilities Clearing Account	63,322	764,225	761,862	65,685
Fiduciary Funds:				
Town Court	18,058	351,713	197,913	171,858
L.E.C.E User Fees	17,061	4,749	3,594	18,216
Levy Excess	6,711	-	6,711	-
Payroll	24,205	414,619	431,404	7,420
Totals	\$ 1,443,368	\$ 5,149,563	\$ 4,472,685	\$ 2,120,246
	Cash and Investments		Cash and Investments	
	01-01-07	Receipts	Disbursements	12-31-07
Governmental Funds:				
General	\$ 108,048	\$ 476,858	\$ 473,990	\$ 110,916
Motor Vehicle Highway	1,890	78,729	82,069	(1,450)
Local Road and Street	3,719	8,464	9,862	2,321
Park and Recreation	2,586	8,827	9,203	2,210
Law Enforcement Continuing Education	1,051	691	34	1,708
Riverboat	304,833	143,147	123,358	324,622
Economic Development Income Tax	57,279	41,325	50,974	47,630
Industrial Park Gift	7,040	-	-	7,040
Belterra	-	21,045	9,150	11,895
Rising Sun Foundation Grant	-	59,243	59,243	-
Tyson Fund	307,233	455,686	286,648	476,271
Riverboat Wagering Tax Revenue Sharing	16,265	-	-	16,265
Rainy Day	14,346	4,893	-	19,239
Lawrenceburg City Grants	-	850,000	850,000	-
Cumulative Capital Improvement	34,122	6,266	3,833	36,555
Sidewalk Project	1,043	2,725	-	3,768
Cumulative Capital Development - Fire Building Debt	1,054	2,550	4,150	(546)
Police - Other Fund	-	1,105	782	323
MVH - Major Moves	12,240	12,115	-	24,355
Ripley Co Grant (EDIT)	-	100,000	100,000	-
Proprietary Funds:				
Water Utility - Operating	57,885	532,176	453,390	136,671
Water Utility - Bond and Interest	41,393	74,929	111,000	5,322
Water Utility - Depreciation	71,828	-	-	71,828
Water Utility - Customer Deposit	45,588	8,850	6,320	48,118
Water Utility - Construction	218,446	309,471	527,917	-
Wastewater Utility - Operating	233,912	353,849	281,191	306,570
Wastewater Utility - Bond and Interest	217,911	27,948	15,288	230,571
Wastewater Utility - Depreciation	6,256	-	-	6,256
Wastewater Utility - Debt Service Reserve	91,099	4,260	-	95,359
Water and Wastewater Utilities Clearing Account	65,685	834,534	828,134	72,085
Fiduciary Funds:				
Town Court	171,858	511,108	476,264	206,702
L.E.C.E User Fees	18,216	9,448	8,752	18,912
Payroll	7,420	427,944	435,904	(540)
Totals	\$ 2,120,246	\$ 5,368,186	\$ 5,207,456	\$ 2,280,976

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

TOWN OF VERSAILLES
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 streets, culture and recreation, public improvements, planning and zoning, sanitation, general administrative services, water, wastewater, and urban redevelopment.

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 VERSAILLES
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

TOWN OF VERSAILLES
 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:		
Police car	\$ 7,552	\$ 7,990
Bonds payable:		
General obligation bonds:		
Firehouse construction	<u>20,000</u>	<u>4,000</u>
Total governmental activities debt	<u>\$ 27,552</u>	<u>\$ 11,990</u>
Business-type activities:		
Water Utility		
Loans:		
Water plant improvements	\$ 692,369	\$ 78,091
Revenue bonds:		
1991 waterworks improvement bonds	<u>825,000</u>	<u>113,000</u>
Total Water Utility	<u>1,517,369</u>	<u>191,091</u>
Wastewater Utility		
Revenue bonds:		
2004 sewerworks improvement bonds	<u>680,000</u>	<u>14,738</u>
Total business-type activities debt:	<u>\$ 2,197,369</u>	<u>\$ 205,829</u>

TOWN OF VERSAILLES
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT (Applies to Clerk-Treasurer)

Financial transactions for the month of January 2008 were included in the amounts reported in the Annual City and Town Financial Report (Form CTAR-1) for the year 2007 as presented for examination.

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)

OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer)

Mainsource Bank, the Town's designated depository, 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 . . ."

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)."

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Utilities)

The Town does not maintain sufficient detailed records of capital assets for its enterprise funds or for its governmental activities capital assets. No inventory of capital assets has been taken. In addition, deletions or disposals of capital assets are not recorded.

TOWN OF VERSAILLES
EXAMINATION RESULTS AND COMMENTS
(Continued)

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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)

CHRISTMAS CLUB FUND (Applies to Clerk-Treasurer and Town Council)

For several years the Town has offered the Town employees an employee benefit for a Christmas Club payroll withholding. These withholdings are held and maintained on the Town records. The following items were noted during the review of the Town's Christmas Club Fund:

1. Cheryl Richmond, Town Court Judge, had a total \$4,324 for Christmas Club withholdings withheld from her 2007 compensation; however, Mrs. Richmond received \$4,888 in payments from the Christmas Club Fund from the Town. As a result, Mrs. Richmond was overpaid by \$564.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Subsequently on October 10, 2008, Mrs. Richmond refunded the Town \$564.

2. On November 8, 2006 and November 13, 2007, the Clerk-Treasurer paid the Town employees the computed yearend balance of their Christmas Club withholdings for the years 2006 and 2007, respectively. Since the final employee payments for the Christmas Club withholdings were paid in November of each year there was still payroll withholdings to be withheld in November and December of each year.

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)

3. No policy was presented for examination authorizing the withholding and maintaining of employee payroll withholdings for a Christmas Club fund.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER (Applies to Water Utility)

The detailed customer deposit register does not reconcile with the Water Utility Customer Deposit cash balance recorded on the Town's Fund Report. As of December 31, 2007, the Customer Deposit cash balance was \$412 in excess of the total of the detailed customer register.

TOWN OF VERSAILLES
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

BANK ACCOUNT RECONCILIATIONS (Applies to the Clerk-Treasurer)

Bank account reconciliations for the Water and Wastewater Utilities Clearing Account Fund (Utilities Clearing Account Fund) to the bank account with Mainsource Bank were not presented for examination. As of December 31, 2007, the Utilities Clearing Account Fund was \$3,959.92 in excess of the depository account balance. In a comparison of the fund transactions to the bank transactions for the years 2006 and 2007 the following are examples of the reconciling items found:

1. Utility collections made in June 2006 and May 2007 in the amounts of \$3,331.35 and \$1,474.57, respectively, were posted to the Utilities Clearing Account Fund twice.
2. Utility collections deposited on December 10, 2007 and December 11, 2007, in the amounts of \$396.28 and \$109.36, respectively, were not posted to the Utilities Clearing Account Fund.
3. An electronic funds transfer of \$42.20 on December 1, 2006, was not posted to the Utilities Clearing Account Fund.
4. The bank account was not reimbursed for a bank charge of \$17.25 for deposit slips.

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."

DEBT SERVICE RESERVE FUND (Applies to Water Utility)

The Town adopted Ordinance 6-1991 which makes provisions for the Water Utility to make a monthly deposit of operating revenues to a Debt Service Reserve Fund. However, the Utility has not established a Debt Service Reserve Fund as of December 31, 2007.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF VERSAILLES
EXAMINATION RESULTS AND COMMENTS
(Continued)

PURCHASE OF REAL PROPERTY (Applies to Clerk-Treasurer and Town Council)

On February 27, 2007 and March 22, 2007, the Town purchased two parcels of land for \$218,697 and \$59,697, respectively. Appraisals for the properties were not presented for examination.

Indiana Code 36-1-10.5-5 states in part:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. . . .
- (3) The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent. . . ."

Indiana Code 36-1-10.5-6 states in part:

"A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received . . ."

TOWN OF VERSAILLES
EXIT CONFERENCE

The contents of this report were discussed on November 3, 2008, with Kiersten B. Libby, Clerk-Treasurer; John Holzer, President of the Town Council; and Ted Spurlock, former Clerk-Treasurer. The officials concurred with our findings.