

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

EXAMINATION REPORT
OF
TOWN OF BRYANT
JAY COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
02/05/2009

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Lisa L. Elzey
Peggy Smitley

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

President of the
Town Council

Terry Billington
Jason Elzey
Leo Kahn

01-01-06 to 06-30-07
07-01-07 to 12-31-07
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 BRYANT, JAY COUNTY, INDIANA

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

December 2, 2008

TOWN OF BRYANT
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 | \$ (169) | \$ 19,818 | \$ 19,516 | \$ 133 |
| Motor Vehicle Highway | 3,359 | 19,898 | 11,211 | 12,046 |
| Local Road and Street | 980 | 1,296 | - | 2,276 |
| Park and Recreation | 2,680 | - | 844 | 1,836 |
| Cumulative Capital Improvement | 85 | 1,097 | - | 1,182 |
| Rainy Day | 8,363 | - | - | 8,363 |
| Proprietary Funds: | | | | |
| Wastewater Utility - Operating | 7,913 | 47,415 | 52,724 | 2,604 |
| Wastewater Utility - Bond and Interest | (4,300) | - | 8,050 | (12,350) |
| Wastewater Utility - Depreciation | 9,000 | - | - | 9,000 |
| Wastewater Utility - Debt Service Reserve | 9,000 | - | - | 9,000 |
| Solid Waste Utility - Operating | (1,602) | 11,405 | 10,997 | (1,194) |
| Totals | <u>\$ 35,309</u> | <u>\$ 100,929</u> | <u>\$ 103,342</u> | <u>\$ 32,896</u> |

| | Cash and Investments 01-01-07 | Receipts | Disbursements | Cash and Investments 12-31-07 |
|---|-------------------------------------|------------------|------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 133 | \$ 26,488 | \$ 15,293 | \$ 11,328 |
| Motor Vehicle Highway | 12,046 | 13,231 | 15,240 | 10,037 |
| Local Road and Street | 2,276 | 1,319 | 1,155 | 2,440 |
| Park and Recreation | 1,836 | 2,312 | 326 | 3,822 |
| Cumulative Capital Improvement | 1,182 | 956 | 1,088 | 1,050 |
| Rainy Day | 8,363 | - | - | 8,363 |
| Proprietary Funds: | | | | |
| Wastewater Utility - Operating | 2,604 | 33,139 | 33,666 | 2,077 |
| Wastewater Utility - Bond and Interest | (12,350) | - | 8,925 | (21,275) |
| Wastewater Utility - Depreciation | 9,000 | - | - | 9,000 |
| Wastewater Utility - Debt Service Reserve | 9,000 | - | - | 9,000 |
| Solid Waste Utility - Operating | (1,194) | 12,385 | 11,448 | (257) |
| Totals | <u>\$ 32,896</u> | <u>\$ 89,830</u> | <u>\$ 87,141</u> | <u>\$ 35,585</u> |

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

TOWN OF BRYANT
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, wastewater and solid waste utilities, 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. 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.

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 BRYANT
 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 |
|----------------------------------|--------------------------------|---|
| Proprietary Funds: | | |
| Wastewater Utility Revenue Bonds | \$ 117,000 | \$ 8,775 |

TOWN OF BRYANT
EXAMINATION RESULTS AND COMMENTS

COMPENSATION AND BENEFITS

The Clerk-Treasurer receives salary from both the General Fund and the Wastewater Utility. In 2006, the Clerk-Treasurer paid herself for five quarters of her General Fund salary and six quarters of her Wastewater Utility salary. She reported only four quarters of pay to both the Internal Revenue Service and the Indiana Department of Revenue, so only the net salaries were overpaid. On December 31, 2007, she repaid the \$1,518.60 overpaid from the Wastewater Utility, but not the \$405.60 overpaid from the General Fund. (See Summary, page 13)

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)

SALARIES PAID IN ADVANCE

The Clerk-Treasurer's salary is paid from the General Fund and Wastewater Utility in quarterly installments. In 2006, she received each quarter's salary at least 72 days before the end of the quarter, and received her entire annual salary by May 25. In 2007, she received her second and third quarter's salary from the Wastewater Utility on May 22, and her third quarter's salary from the General Fund on August 12.

Indiana Code 5-7-3-1(a) states: "Public officers may not draw or receive their salaries in advance."

COLLECTIONS NOT DEPOSITED

Collections of utility bills are posted to accounts receivable records by the Clerk-Treasurer, who also prepares and makes bank deposits. A total of \$882.58 of such postings could not be traced to bank deposits. Paid bill stubs were on file for \$438.10 of these postings. (See Summary, page 13)

Funds misappropriated, diverted or unaccounted for through malfeasance, misfeasance, or non-feasance in office of any officer or employee may be the personal obligation of the responsible officer or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAFT CHARGES

Overdraft charges totaling \$1,159 were deducted from the Town's checking accounts. (See Summary, page 13)

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. 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)

TOWN OF BRYANT
EXAMINATION RESULTS AND COMMENTS
(Continued)

PENALTIES, INTEREST, AND OTHER CHARGES

A total of at least \$297.96 of penalties, interest, and late fee was paid to the Internal Revenue Service, the Indiana Department of Revenue, and other vendors. \$235.53 of this was paid after such payments were discussed in our previous examination. (See Summary, on page 13)

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 an 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)

BANK ACCOUNT RECONCILIATIONS

Reconciliations of fund balances to bank account balances were prepared monthly, but were incorrect throughout the two-year period.

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."

DEPOSITS

Most of the Town's receipts were deposited to its bank accounts more than a week after being received.

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town is required to annually file with the State Board of Accounts the City and Town Annual Report and a list of employees (Form 100-R). These reports were not filed in 2006 and 2007.

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)

TOWN OF BRYANT
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balances of the Wastewater Utility's Bond and Interest Fund and the Solid Waste Utility's Operating Fund were overdrawn at each December 31.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

MINIMUM BALANCE REQUIREMENT FEES

The Town maintained checking and savings accounts at both First National Bank and at Mainsource Bank. A total of \$560 was deducted from these accounts in 2006 and 2007 for failing to maintain minimum balance requirements established by the banks. The Town received only \$197.36 of interest on these accounts, for a net loss of \$362.64.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TRANSACTION RECORDING

There were several instances of cash transactions not being recorded in the financial records. No bank fees were posted for either year until the end of 2007. There were also several instances of checks being posted but not issued.

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)

DISTRIBUTION OF GROSS REVENUE TO THE VARIOUS FUNDS

Town Ordinance 1992-2 (the Wastewater Utility Revenue Bond Ordinance) requires minimum balances in various Wastewater Utility funds. Two of these funds did not meet those minimum balances at December 31, 2007.

The balance of the Operating Fund is required to be sufficient to cover two months' of operating expenses, which would be \$5,611 based on 2007 Operating Fund disbursements. The fund balance at December 31, 2007, was \$2,078.

Monthly transfers of 1/12 of the next annual principal payment plus 1/6 of the next semiannual interest payment are required to be made to the Bond and Interest Fund. No such transfers were made in 2006 or 2007, leaving a fund balance of \$(21,275) at December 31, 2007. The minimum required balance at that date was \$7,375.

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 BRYANT
EXAMINATION RESULTS AND COMMENTS
(Continued)

SUPPORTING DOCUMENTATION

Ten payments, including several remittances of payroll withholdings, were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

PRESCRIBED FORMS

Prescribed receipt Form 217 was in use, but the forms were not prenumbered by the printer as required. For the first half of 2007, generic checks were used in lieu of the forms approved by the State Board of Accounts.

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)

CONFLICT OF INTEREST

Town Council members Terry Billington and Jason Elzey received \$880 and \$396, respectively, of extra pay at \$8 per hour for mowing Town property, plowing snow, and other tasks. No Uniform Conflict of Interest Disclosure Statements were filed.

Indiana Code 35-44-1-3 states, in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6). . . ."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase . . ."

TOWN OF BRYANT
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

CAPITAL ASSET RECORDS

The Town does not maintain records of its capital assets.

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)

LISTS OF EMPLOYEES

Officials or employees of the Town had money due from the town, but no lists of employees were certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

SALES TAX

A total of \$68.03 of sales tax was paid on seven purchases.

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

An official bond for Lisa L. Elzey, Clerk-Treasurer, was filed in the office of the Jay County Recorder and covered the period February 8, 2004 until her successor is duly qualified. The guarantor was Western Surety Company.

TOWN OF BRYANT
EXIT CONFERENCE

The contents of this report were discussed on December 2, 2008, with Peggy Smitley, Clerk-Treasurer; and Jason Meinerding, Town Council member. The officials concurred with our findings.

TOWN OF BRYANT
SUMMARY

| | <u>Charges</u> | <u>Credits</u> | <u>Balance Due</u> |
|---|--------------------|----------------|--------------------|
| Lisa L. Elzey, former Clerk-Treasurer: | | | |
| Compensation and Benefits, page 7 | \$ 405.60 | \$ - | \$ 405.60 |
| Collections Not Deposited, page 7 | 882.58 | - | 882.58 |
| Overdraft Charges, page 7 | 1,159.00 | - | 1,159.00 |
| Penalties, Interest, and Other Charges, page 8 | <u>235.53</u> | - | <u>235.53</u> |
| Totals | <u>\$ 2,682.71</u> | <u>\$ -</u> | <u>\$ 2,682.71</u> |

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AFFIDAVIT

STATE OF INDIANA)
)
JAY COUNTY)

I, Barry Moore, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Bryant, Jay County, Indiana, for the period from January 1, 2006 to December 31, 2007, is true and correct to the best of my knowledge and belief.

Barry Moore
Field Examiner

Subscribed and sworn to before me this 8 day of January, 2009

Carbarn D. Grover
Notary Public

My Commission Expires: Jan 11 2016
County of Residence: Blackford