

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

EXAMINATION REPORT  
OF  
TOWN OF REYNOLDS  
WHITE COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
04/06/2009



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Shirley Rose	01-01-04 to 12-31-11
President of the Town Council	Charles VanVoorst	01-01-07 to 12-31-09



**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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF REYNOLDS, WHITE COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Reynolds (Town), for the period of January 1, 2007 to December 31, 2008. 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, 2007 and 2008, 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

March 23, 2009

TOWN OF REYNOLDS  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 63,873	\$ 34,816	\$ 91,446	\$ 7,243
Motor Vehicle Highway	12,830	19,585	16,302	16,113
Local Road and Street	3,143	2,627	1,357	4,413
Park and Recreation	9,354	8,126	4,787	12,693
Law Enforcement Continuing Education	883	250	270	863
Riverboat	13,800	3,449	-	17,249
Rainy Day	8,743	-	-	8,743
Donation	9,657	-	-	9,657
Cumulative Capital Improvement	26,236	1,921	8,080	20,077
County Economic Development Income Tax	25,371	5,764	7,171	23,964
Community Center	2,477	235	179	2,533
Community Focus Grant	-	24,988	24,988	-
Indiana Criminal Justice Grant	-	9,406	9,406	-
Indiana Department of Energy Grant	-	86,215	86,215	-
Partners for Drug Free White County Grant	-	2,175	2,175	-
Proprietary Funds:				
Water Utility - Operating	49,894	126,946	145,338	31,502
Water Utility - Bond and Interest	10,568	30,704	30,090	11,182
Water Utility - Debt Reserve	32,303	3	-	32,306
Water Utility - Customer Deposit	5,997	1,350	589	6,758
Wastewater Utility - Operating	21,690	111,144	115,388	17,446
Wastewater Utility - Bond and Interest	13,908	29,427	28,000	15,335
Wastewater Utility - Debt Reserve	73,018	12,708	-	85,726
Wastewater Utility - Customer Deposit	4,765	1,275	564	5,476
Wastewater Utility - Improvement	1,551	4	-	1,555
Totals	<u>\$ 390,061</u>	<u>\$ 513,118</u>	<u>\$ 572,345</u>	<u>\$ 330,834</u>

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

TOWN OF REYNOLDS  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES  
As Of And For The Years Ended December 31, 2007 And 2008  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 7,243	\$ 125,910	\$ 111,310	\$ 21,843
Motor Vehicle Highway	16,113	14,671	23,346	7,438
Local Road and Street	4,413	2,450	5,000	1,863
Park and Recreation	12,693	12,695	6,108	19,280
Law Enforcement Continuing Education	863	2,750	70	3,543
Riverboat	17,249	3,431	-	20,680
Rainy Day	8,743	3,065	-	11,808
Donation	9,657	-	3,375	6,282
Cumulative Capital Improvement	20,077	6,779	14,148	12,708
County Economic Development Income Tax	23,964	20,715	23,461	21,218
Community Center	2,533	120	159	2,494
Community Focus Grant	-	23,612	23,612	-
Indiana Department of Energy Grant	-	22,500	22,500	-
Proprietary Funds:				
Water Utility - Operating	31,502	126,119	127,753	29,868
Water Utility - Bond and Interest	11,182	30,704	30,029	11,857
Water Utility - Debt Reserve	32,306	2,399	-	34,705
Water Utility - Customer Deposit	6,758	680	650	6,788
Wastewater Utility - Operating	17,446	118,132	121,005	14,573
Wastewater Utility - Bond and Interest	15,335	28,957	28,900	15,392
Wastewater Utility - Debt Reserve	85,726	15,285	-	101,011
Wastewater Utility - Customer Deposit	5,476	550	550	5,476
Wastewater Utility - Improvement	1,555	3	3	1,555
Totals	<u>\$ 330,834</u>	<u>\$ 561,527</u>	<u>\$ 541,979</u>	<u>\$ 350,382</u>

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

TOWN OF REYNOLDS  
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 REYNOLDS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF CAPITAL ASSETS

For The Year Ended December 31, 2008

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Buildings	\$ 86,000
Improvements other than buildings	66,768
Machinery and equipment	<u>140,768</u>
 Total governmental activities, capital assets not being depreciated	 \$ <u>293,536</u>
 Business-type activities:	
Water Utility:	
Capital assets:	
Land	\$ 47,772
Buildings	286,548
Improvements other than buildings	477,993
Machinery and equipment	<u>129,508</u>
 Total Water Utility capital assets	 <u>941,821</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	31,650
Improvements other than buildings	1,184,326
Machinery and equipment	<u>30,866</u>
 Total Wastewater Utility capital assets	 <u>1,246,842</u>
 Total business-type activities capital assets	 \$ <u>2,188,663</u>

TOWN OF REYNOLDS  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type activities:		
Water Utility:		
Revenue bonds:		
1995 Waterworks improvement bonds	\$ 168,000	\$ 25,239
Wastewater Utility:		
Revenue bonds:		
1972 Wastewater improvement bonds	74,000	27,700
2004 Wastewater improvement bonds	413,000	32,544
Total Wastewater Utility	487,000	60,244
Total business-type activities debt	\$ 655,000	\$ 85,483

TOWN OF REYNOLDS  
EXAMINATION RESULTS AND COMMENTS

RECEIPT ISSUANCE AND ACCURACY

In some instances receipts were either not issued or did not agree with the amount posted in the Town's records.

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)

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)

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger. A similar comment was in prior Reports B29949, B26047, and B22515.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property. A similar comment was in prior Reports B29949, B26047, and B22515.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

TOWN OF REYNOLDS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
  - (B) a description of the premises, as shown by the records of the county auditor; and
  - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town of Reynolds failed to issue a Form 1099 to a Town Council member for a vehicle provided by the "Bio Town USA Extreme Energy Makeover Vehicle Giveaway."

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)

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

HYDRANT RENTAL RECEIVABLE (PAYABLE)

The Town of Reynolds overpaid the Water Utility hydrant rental by \$120 in 2007 and 2008. Additionally, the Excel Co-op underpaid the Water Utility hydrant rental by \$420 in 2007 and 2008.

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 REYNOLDS  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

INTERNAL CONTROLS

Controls for receipts generated by the Park Concession are insufficient. Money is turned in with no supporting documentation to verify amounts are fairly stated. Also, a check for \$150 cash change was issued on April 28, 2008, and there is no documentation that proves the last amount turned on September 17, 2008, includes this amount they say is included.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ORDINANCES AND RESOLUTIONS

The Water and Wastewater Utilities have ordinance's concerning billing rates per month. However, some customers tested were not charged according to the ordinances.

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 REYNOLDS  
EXIT CONFERENCE

The contents of this report were discussed on March 23, 2009, with Shirley Rose, Clerk-Treasurer. The official concurred with our findings.