

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

EXAMINATION REPORT
OF
TOWN OF COLFAX
CLINTON COUNTY, INDIANA
January 1, 2006 to December 31, 2007



FILED
05/06/2009

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	5-6
Supplementary Information: Schedule of Long-Term Debt	7
Examination Results and Comments: Annual Report	8
Deposits.....	8
Bank Account Reconciliations	8
Utility Warrants	8
Prescribed Forms	9
Condition of Records	9
Compensation and Benefits	10
Exit Conference.....	11
Official Response	12-13
Summary	14
Affidavit	15

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Diana Reif Betty Snell	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Jeff Moore Jesse L. Hollis	01-01-06 to 12-31-07 01-01-08 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

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF COLFAX, CLINTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Colfax (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 them.

STATE BOARD OF ACCOUNTS

March 12, 2009

TOWN OF COLFAX
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	\$ 76,047	\$ 251,634	\$ 221,361	\$ 106,320
Motor Vehicle Highway	60,508	52,222	44,793	67,937
Local Road and Street	3,047	4,650	5,000	2,697
Accident Report	44	-	-	44
Law Enforcement Continuing Education	3,381	9,709	9,837	3,253
County Economic Development	2,008	16,776	7,800	10,984
Riverboat	1,172	4,833	-	6,005
Rainy Day	45,168	-	-	45,168
Sanitation	5,498	23,656	20,741	8,413
Cumulative Capital Improvement	391	2,744	1,360	1,775
Cumulative Capital Development	8,461	4,128	3,850	8,739
Proprietary Funds:				
Water Utility - Operating	6,214	98,539	100,816	3,937
Water Utility - Bond and Interest	22,913	23,581	6,411	40,083
Water Utility - Customer Deposit	28,937	6,997	2,210	33,724
Wastewater Utility - Operating	13,804	98,202	124,478	(12,472)
Wastewater Utility - Bond and Interest	15,219	45,635	42,861	17,993
Wastewater Utility - Reserve	31,083	5,371	-	36,454
Totals	\$ 323,895	\$ 648,677	\$ 591,518	\$ 381,054

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 106,320	\$ 218,402	\$ 298,632	\$ 26,090
Motor Vehicle Highway	67,937	37,639	17,495	88,081
Local Road and Street	2,697	4,680	5,000	2,377
Major Moves	-	5,215	4,895	320
Accident Report	44	-	-	44
Law Enforcement Continuing Education	3,253	-	3,194	59
County Economic Development	10,984	17,529	13,985	14,528
Riverboat	6,005	4,843	10,800	48
Rainy Day	45,168	7,241	35,000	17,409
Sanitation	8,413	23,357	23,183	8,587
Cumulative Capital Improvement	1,775	2,697	1,509	2,963
Cumulative Capital Development	8,739	2,050	3,938	6,851
Proprietary Funds:				
Water Utility - Operating	3,937	137,940	119,429	22,448
Water Utility - Bond and Interest	40,083	34,958	47,556	27,485
Water Utility - Customer Deposit	33,724	5,069	1,914	36,879
Wastewater Utility - Operating	(12,472)	138,215	116,806	8,937
Wastewater Utility - Bond and Interest	17,993	45,646	43,118	20,521
Wastewater Utility - Reserve	36,454	21,258	15,763	41,949
Totals	\$ 381,054	\$ 706,739	\$ 762,217	\$ 325,576

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

TOWN OF COLFAX
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 COLFAX
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 COLFAX
 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
Business-type Activities:		
Water Utility		
Revenue bonds:		
1986 Improvement Bonds	\$ 76,000	\$ 21,370
Total Water Utility	<u>76,000</u>	<u>21,370</u>
Wastewater Utility		
Revenue bonds:		
1992 series 2 Improvement Bonds	153,500	20,554
1992 series 3 Improvement Bonds	<u>164,000</u>	<u>22,710</u>
Total Wastewater Utility	<u>317,500</u>	<u>43,264</u>
Total business-type activities debt	<u>\$ 393,500</u>	<u>\$ 64,634</u>

TOWN OF COLFAX
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

An annual report was not prepared for either year of the examination period.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Various Tax distributions from the Clinton County Auditor had delays of up to 67 days, before being deposited. The average delay in the deposit of all County distributions was 20 days.

IC 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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not prepared by the fiscal officer for the period under examination. Numerous incorrect postings in the funds ledger would have been discovered if monthly depository reconciliations had been prepared.

IC 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."

UTILITY WARRANTS

The warrants issued for the Water and Wastewater Utility Funds were not signed by the Clerk-Treasurer. The depository account has been set up to require two signatures of Town Council members.

IC 5-13-5-2 requires all disbursements of public funds shall be made only upon checks/warrants drawn upon depositories which shall be signed by the public officers authorized to sign in their official capacity. No other individual or group has the authority to sign in place of the fiscal officer.

IC 36-5-6-2 states: "The Clerk-Treasurer . . . is both the town clerk and the town fiscal officer."

TOWN OF COLFAX
EXAMINATION RESULTS AND COMMENTS
(Continued)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use:

Form Number	Description
217	Clerk-Treasurer's Receipt
219	Clerk-Treasurer's Warrant
211	Capital Assets Ledger
206	Clerk-Treasurer's Monthly Financial Depository Statement and Cash Reconciliation
350	Register of Investments
99A	Employee Earnings Record
99B	Employee Service Record

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)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town funds. Numerous transactions were incorrectly posted to the funds ledger. The following posting errors occurred during the examination period.

	2006	2007
Transactions not posted:		
Receipts	\$ 997.28	\$ 13,445.73
Disbursements	2,611.29	14,595.31
Transactions posted twice:		
Receipts	5,184.87	8,000.00
Disbursements	-	8,111.52
Transactions posted incorrectly:		
Receipts	18,292.00	35,000.00
Disbursements	2,847.29	561.03

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)

TOWN OF COLFAX
EXAMINATION RESULTS AND COMMENTS
(Continued)

COMPENSATION AND BENEFITS

The Town Council approved a "safety bonus" each year to be paid to all employees, including the Clerk-Treasurer. The safety bonus was approved by the Town Council during the year in which it was paid. Diana Reif was Clerk-Treasurer during the examination period and received the safety bonuses of \$114.03 in 2006 and \$171.04 in 2007, totaling \$285.07.

IC 36-5-3-2(c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

We requested that Diana Reif, former Clerk-Treasurer, repay the Town \$285.07 for compensation in excess of the amount set by December 31 of each year. (See Summary, page 14)

TOWN OF COLFAX
EXIT CONFERENCE

The contents of this report were discussed on April 7, 2009, with Betty Snell, Clerk-Treasurer; and Jesse L. Hollis, President of the Town Council; and Wayne Ferguson, Ernest Haley, and Bob Stambaugh, Town Council members. The official response has been made a part of this report and may be found on pages 12 and 13.

A certified letter was sent to Diana Reif, former Clerk-Treasurer, inviting her to an exit conference to discuss the contents of this report. Diana Reif did not attend this scheduled exit conference.

TOWN OF COLFAX

16 April 2009

State Board of Accounts
302 West Washington
4th Floor
Room E418
Indianapolis, IN 46024-2765

Re: Town of Colfax
Recent Audit and Exit Conference

OFFICIAL RESPONSE

On the 7th day of April 2009, an Exit Conference was conducted with Town elected officials on your audit of 2006 and 2007 financial records of the Town of Colfax.

From reviewing our records from Exit Conferences from previous audits, it appears the Town records are in much better condition than you have found in previous audits. Those audits had 3-4 pages of deficiencies each time. While we certainly want all records to be complete, we are very pleased with the progress and recognize the realities of the health issues which affected the ability of Town personnel to bring the records to a level we all desire. We believe that you will find continued progress in your future audit of 2008 Town financial records.

We do not believe that there is any indication that there was any change in 2006 or 2007 of "The compensation of an elected town officer..."

All Town employees, including the Clerk-Treasurer, received a safety bonus in each of those two (2) years, which in 2006 for the Clerk-Treasurer was \$114.03 and in 2007 was \$171.04. That was not compensation, but a benefit provided to all employees similar to a cash medical reimbursement or uniform reimbursement. The mere fact that it was paid by check does not make it compensation, and it was not either guaranteed or assured for any employee. The Town Council believes that it is important to keep our insurance costs down and accident off-time minimized, and the safety bonus program has worked well for more than a decade.

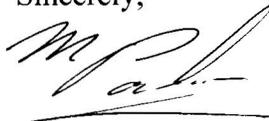
The last sentence of page 2 of the Examination Results and Comments of April 1 is unclear as to the nature of the request made on this issue, and is in need of clarification.

Several years ago, the Town instituted a policy of requiring the signature of one or more Town Council members in addition to that of the Clerk-Treasurer on warrants. This policy was instituted to provide greater protection to Town funds following major discrepancies, which discrepancies led to expensive legal action being taken against a former Clerk-Treasurer. In addition to providing greater oversight for taxpayers than required by the Indiana Code, this policy is endorsed by the current Clerk-Treasurer as a means of providing greater protection to her from liability. There is nothing in the Indiana Code which prevents a Town from adding greater protection over its funds than required by the Code, and the Home Rule Act makes this power clear. Therefore, to the extent that the Board of Accounts would challenge the Town's authority to set up a depository account with a countersignature requirement in addition to the clerk-treasurer's, the Town strongly but respectfully disagrees.

The Town will continue its policies of protecting the tax payer and the utility rate payers by having Town Council members actively involved in the water and waste water utilities, including monitoring and authorizing all expenditures. Previous to the present policies, the Town had unexplained losses of approximately \$30,000.00 a year and also had to spend money on engineering and legal fees due to lack of communication with IDEM. The bonded utility clerk has done an excellent job.

We look forward to meeting with you when you return for our next audit.

Sincerely,



Michael L. Parkinson
Attorney for the Town of Colfax
On Behalf of all the Elected Town Officials

MLP:csb

TOWN OF COLFAX
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Diana Reif, former Clerk-Treasurer: Compensation and Benefits, page 10	\$ <u>285.07</u>	\$ <u>-</u>	\$ <u>285.07</u>

AFFIDAVIT

STATE OF INDIANA)
)
Hamilton COUNTY)

I, Melissa Hanchar, CPA, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Colfax, Clinton 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.

Melissa Hanchar, CPA
Field Examiner

Subscribed and sworn to before me this 21 day of April, 2009.

Carmeline Terry
Notary Public

Carmeline Terry

My Commission Expires: 04-19-15

County of Residence: Hamilton