

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

EXAMINATION REPORT  
OF  
TOWN OF HAGERSTOWN  
WAYNE COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
11/24/2009



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Nicholas Jarrett

01-01-04 to 12-31-11

President of the  
Town Council

Peggy Cenova

01-01-07 to 12-31-09



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAGERSTOWN, WAYNE COUNTY, INDIANA

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

October 14, 2009

TOWN OF HAGERSTOWN  
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, 2007 And 2008

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
<b>Governmental Funds:</b>				
General	\$ 990,914	\$ 574,458	\$ 793,451	\$ 771,921
Motor Vehicle Highway	104,344	89,187	88,403	105,128
Local Road and Street	9,277	17,053	12,473	13,857
Park and Recreation	102,294	70,684	87,272	85,706
Law Enforcement Continuing Education	6,002	1,011	-	7,013
Cemetery	20,437	22,830	28,946	14,321
Ruth Dutro	39,983	-	580	39,403
Dora Mason Cemetery Trust	2,954	-	2,954	-
Park Special	3,618	90	-	3,708
E.B. Bruner Legacy	7,031	-	2,081	4,950
Airport	47,906	5,291	14,789	38,408
Housing Grant	7,922	-	-	7,922
Jordan Cemetery Bequest	511	-	511	-
Residential Sidewalk	763	3,835	3,835	763
Miller Cemetery Bequest	12,271	560	3,771	9,060
Fire Department Donation	12,902	1,089	878	13,113
Downtown Grant	15,103	-	-	15,103
Fire Department Grant	2,378	-	-	2,378
Jayne Miller Park Bequest	33,678	19,332	6,573	46,437
Court Document Storage	30,532	5,754	-	36,286
Court Deferral	807	18,700	18,700	807
Safe Driving Grant	1,130	3,150	2,970	1,310
Rainy Day	174,240	82,954	-	257,194
Miscellaneous Short Term	163	100	-	263
Police Department Donation	2,415	-	-	2,415
Town Revolving Fund	137,695	6,983	35,000	109,678
Economic Development Income Tax	142,162	38,209	20,000	160,371
Cumulative Capital Improvement	177,225	14,002	25,120	166,107
Cumulative Levy - Wastewater	-	782	-	782
Cumulative Capital Improvement - Town Levy	194,310	17,627	-	211,937
Levy Excess	21,324	-	-	21,324
<b>Proprietary Funds:</b>				
Electric Utility - Operating	440,754	2,210,827	2,105,876	545,705
Electric Utility - Depreciation	41,609	121,523	100,735	62,397
Electric Utility - Customer Deposit	26,218	6,610	4,685	28,143
Electric Utility - Improvement	102,376	-	-	102,376
Water Utility - Operating	85,027	316,334	265,236	136,125
Water Utility - Depreciation	73,091	60,000	34,373	98,718
Water Utility - Customer Deposit	9,518	3,435	2,280	10,673
Water Utility - Improvement	4,659	-	-	4,659
Wastewater Utility - Operating	154,093	565,586	558,600	161,079
Wastewater Utility - Bond and Interest	11,806	227,504	223,320	15,990
Wastewater Utility - Depreciation	18,222	30,884	14,261	34,845
Wastewater Utility - Construction	50,348	-	-	50,348
Wastewater Utility - Sinking Reserve	213,395	11,082	15,884	208,593
<b>Fiduciary Funds:</b>				
Court Costs Due County	44,228	42,743	66,529	20,442
User Fee Law Enforcement Continuing Education	30,737	8,826	9,048	30,515
Town Court	50,087	437,850	435,761	52,176
Payroll	10,338	243,219	246,335	7,222
<b>Totals</b>	<u>\$ 3,668,797</u>	<u>\$ 5,280,104</u>	<u>\$ 5,231,230</u>	<u>\$ 3,717,671</u>

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

TOWN OF HAGERSTOWN  
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, 2007 And 2008  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 771,921	\$ 899,588	\$ 769,794	\$ 901,715
Motor Vehicle Highway	105,128	82,104	146,071	41,161
Local Road and Street	13,857	15,686	1,476	28,067
Park and Recreation	85,706	72,769	102,706	55,769
Law Enforcement Continuing Education	7,013	1,319	1,357	6,975
Cemetery	14,321	29,901	21,657	22,565
Ruth Dutro	39,403	-	-	39,403
Park Special	3,708	155	-	3,863
E.B. Bruner Legacy	4,950	-	-	4,950
Airport	38,408	11,879	13,214	37,073
Housing Grant	7,922	149,632	148,050	9,504
Residential Sidewalk	763	4,696	4,696	763
Miller Cemetery Bequest	9,060	191	-	9,251
Fire Department Donation	13,113	4,550	8,407	9,256
Downtown Grant	15,103	-	-	15,103
Fire Department Grant	2,378	-	-	2,378
Jayne Miller Park Bequest	46,437	20,819	12,205	55,051
Court Document Storage	36,286	5,642	-	41,928
Court Deferral	807	13,970	13,310	1,467
Safe Driving Grant	1,310	2,000	2,058	1,252
Rainy Day	257,194	95,026	-	352,220
Miscellaneous Short Term	263	-	100	163
Police Department Donation	2,415	-	-	2,415
Town Revolving Fund	109,678	10,542	17,104	103,116
Economic Development Income Tax	160,371	42,290	7,462	195,199
Cumulative Capital Improvement	166,107	9,211	23,035	152,283
Cumulative Levy - Wastewater	782	90,655	-	91,437
Cumulative Capital Improvement - Town Levy	211,937	40,414	-	252,351
Levy Excess	21,324	-	21,324	-
Proprietary Funds:				
Electric Utility - Operating	545,705	2,183,133	2,054,144	674,694
Electric Utility - Depreciation	62,397	120,254	37,081	145,570
Electric Utility - Customer Deposit	28,143	6,695	5,924	28,914
Electric Utility - Improvement	102,376	-	-	102,376
Water Utility - Operating	136,125	304,030	249,855	190,300
Water Utility - Depreciation	98,718	60,375	5,154	153,939
Water Utility - Customer Deposit	10,673	3,190	2,505	11,358
Water Utility - Improvement	4,659	-	-	4,659
Wastewater Utility - Operating	161,079	550,553	539,378	172,254
Wastewater Utility - Bond and Interest	15,990	226,830	227,995	14,825
Wastewater Utility - Depreciation	34,845	5,607	31,364	9,088
Wastewater Utility - Construction	50,348	-	-	50,348
Wastewater Utility - Sinking Reserve	208,593	4,543	5,606	207,530
Fiduciary Funds:				
Court Costs Due County	20,442	41,384	41,384	20,442
User Fee Law Enforcement Continuing Education	30,515	9,573	9,492	30,596
Town Court	52,176	428,134	433,625	46,685
Payroll	7,222	250,631	246,945	10,908
Totals	<u>\$ 3,717,671</u>	<u>\$ 5,797,971</u>	<u>\$ 5,204,478</u>	<u>\$ 4,311,164</u>

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

TOWN OF HAGERSTOWN  
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. 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.

TOWN OF HAGERSTOWN  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

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 HAGERSTOWN  
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.

There were no General infrastructure assets completed in the current and prior years that have been reported

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 98,521
Buildings	188,921
Improvements other than buildings	443,778
Machinery and equipment	<u>1,105,169</u>
<b>Total governmental activities, capital assets not being depreciated</b>	<b><u>\$ 1,836,389</u></b>
<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 37,336
Buildings	213,538
Improvements other than buildings	876,138
Machinery and equipment	<u>1,025,602</u>
<b>Total Water Utility capital assets</b>	<b><u>2,152,614</u></b>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	26,899
Buildings	3,180,961
Improvements other than buildings	499,204
Machinery and equipment	<u>615,098</u>
<b>Total Wastewater Utility capital assets</b>	<b><u>4,322,162</u></b>
Electric Utility:	
Capital assets, not being depreciated:	
Land	17,367
Buildings	202,254
Improvements other than buildings	1,031,121
Machinery and equipment	<u>1,128,805</u>
<b>Total Electric Utility capital assets</b>	<b><u>2,379,547</u></b>
<b>Total business-type activities capital assets</b>	<b><u>\$ 8,854,323</u></b>

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

The town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Business-type Activities:		
Wastewater Utility		
Revenue bonds:		
Wastewater treatment facility	\$ 1,115,000	\$ 229,680

TOWN OF HAGERSTOWN  
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS - COURT

The financial records of the Town Court are maintained using a computer program that did not function properly during the period examined. As a result, some fees that were collected by the Court were not properly distributed to the State as required by various State statutes authorizing the collection of the fees by the Court. The Court Clerk is working with the software vendor to eliminate the incorrect payment of fees.

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)

SEPARATE BANK ACCOUNTS

Electric Utility funds, Water Utility funds, and Wastewater Utility funds were accounted for in the bank account of the Town.

A single bank account should be provided for all city or town funds, separate bank accounts for the funds belonging to each utility, and possibly a separate bank account for other funds if required by ordinance or regulation. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 1, page 4-4)

DEPOSITS - COURT

As stated in the prior report, in numerous instances, receipts were deposited later than the next business day. There were only five deposits made in December 2007 and six deposits made in December 2008.

TOWN OF HAGERSTOWN  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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."

ORDINANCES AND RESOLUTIONS

The Town had an ordinance for wages paid to employees. One Town employee was not paid in accordance with the wage ordinance. As a result, the employee was overpaid by \$0.18 per hour for the entire year.

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

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

TOWN OF HAGERSTOWN  
EXIT CONFERENCE

The contents of this report were discussed on October 14, 2009, with Nicholas Jarrett, Clerk-Treasurer; Peggy Genova, President of the Town Council; Caroline Sheibla, Court Clerk; and Susan Bell, Town Court Judge. The officials concurred with our findings.