

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

EXAMINATION REPORT
OF
TOWN OF ROCKVILLE
PARKE COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/08/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Imogene Rahn	01-01-04 to 12-31-07
	Lisa Wilcox	01-01-08 to 10-09-09
	Patty Overpeck	10-10-09 to 12-31-09
President of the Town Council	Lona Lucas	01-01-07 to 12-31-07
	Norman Camerer	01-01-08 to 12-31-09
Superintendent of Utilities	Jim Taylor	01-01-07 to 06-30-08
	John Montgomery	07-01-08 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 ROCKVILLE, PARKE COUNTY, INDIANA

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

October 22, 2009

TOWN OF ROCKVILLE
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
Governmental Funds:				
General	\$ 206,578	\$ 543,749	\$ 533,304	\$ 217,023
Motor Vehicle Highway	96,436	199,186	185,042	110,580
Local Road and Street	21,537	9,567	-	31,104
Park and Recreation	60,424	67,894	75,038	53,280
Law Enforcement Continuing Education	2,852	330	2,032	1,150
Police Miscellaneous	16,383	3,194	6,070	13,507
Cemetery	91,769	71,399	110,503	52,665
Cemetery Permanent Care	39,458	1,140	429	40,169
Swimming Pool	42,863	33,875	92,894	(16,156)
Urban Development	57,020	2,211	-	59,231
Cumulative Capital Improvement	122,247	13,142	-	135,389
Cumulative Capital Development	349,941	150,243	19,001	481,183
Levy Excess	8,513	3,064	-	11,577
Proprietary Funds:				
Water Utility - Operating	(12,884)	687,655	641,720	33,051
Water Utility - Bond and Interest	87,145	143,571	39,424	191,292
Water Utility - Debt Service	210,582	95,741	-	306,323
Water Utility - Customer Deposit	29,423	3,750	2,531	30,642
Water Utility - Improvement	57,492	-	55,730	1,762
Wastewater Utility - Operating	272,212	589,676	782,052	79,836
Wastewater Utility - Bond and Interest	298,389	160,862	123,010	336,241
Wastewater Utility - Debt Service	236,717	183,500	22,000	398,217
Wastewater Utility - Construction	123,131	430	120,000	3,561
Wastewater Utility - Improvement	44,834	56,343	49,000	52,177
Electric Utility - Operating	1,234,934	2,435,037	2,745,020	924,951
Electric Utility - Depreciation	798,503	655,759	827,008	627,254
Electric Utility - Customer Deposit	220,200	20,127	16,987	223,340
Electric Utility - Cash Reserve	432,674	68,894	120,000	381,568
Fiduciary Fund:				
Payroll	18,153	268,349	279,955	6,547
Totals	<u>\$ 5,167,526</u>	<u>\$ 6,468,688</u>	<u>\$ 6,848,750</u>	<u>\$ 4,787,464</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 217,023	\$ 463,506	\$ 644,066	\$ 36,463
Motor Vehicle Highway	110,580	164,191	200,857	73,914
Local Road and Street	31,104	8,878	16,007	23,975
Park and Recreation	53,280	43,614	73,557	23,337
Law Enforcement Continuing Education	1,150	597	395	1,352
Police Miscellaneous	13,507	7,471	6,861	14,117
Cemetery	52,665	69,809	71,434	51,040
Cemetery Permanent Care	40,169	1,141	465	40,845
Swimming Pool	(16,156)	157,248	55,408	85,684
Unsafe Building Fund	-	1,858	842	1,016
Rainy Day	-	9,800	4,384	5,416
Urban Development	59,231	13,724	26,004	46,951
Cumulative Capital Improvement	135,389	26,446	31,130	130,705
Cumulative Capital Development	481,183	27,009	30,378	477,814
Levy Excess	11,577	-	3,064	8,513
Public Safety Fund	-	63,585	-	63,585
Proprietary Funds:				
Water Utility - Operating	33,051	705,209	629,521	108,739
Water Utility - Bond and Interest	191,292	173,234	37,699	326,827
Water Utility - Debt Service	306,323	2,295	-	308,618
Water Utility - Customer Deposit	30,642	3,550	2,320	31,872
Water Utility - Improvement	1,762	-	-	1,762
Wastewater Utility - Operating	79,836	583,374	704,616	(41,406)
Wastewater Utility - Bond and Interest	336,241	224,951	250,136	311,056
Wastewater Utility - Debt Service	398,217	6,105	18,516	385,806
Wastewater Utility - Construction	3,561	-	3,561	-
Wastewater Utility - Improvement	52,177	12,000	58,896	5,281
Electric Utility - Operating	924,951	2,318,696	2,557,735	685,912
Electric Utility - Depreciation	627,254	27,935	38,850	616,339
Electric Utility - Customer Deposit	223,340	19,944	15,912	227,372
Electric Utility - Cash Reserve	381,568	13,309	-	394,877
Fiduciary Fund:				
Payroll	6,547	292,596	271,574	27,569
Totals	<u>\$ 4,787,464</u>	<u>\$ 5,442,075</u>	<u>\$ 5,754,188</u>	<u>\$ 4,475,351</u>

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

TOWN OF ROCKVILLE
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, water, wastewater, electric, 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 ROCKVILLE
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.

Note 7. Subsequent Events

The Town has entered into an agreement with the Indiana Department of Transportation for the U.S. 41 Street Lighting Project and has been awarded \$274,762 in Federal Highway Administration (FHWA) Transportation Enhancement Funds. The FHWA funds, which are administered by INDOT, will be used as reimbursement for construction of the project.

The Town has also received a \$1,000,000 Post War Construction Grant from the State of Indiana for the upgrade of their sewer system.

TOWN OF ROCKVILLE
 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
Governmental activities:		
Notes and loans payable	\$ 168,000	\$ 19,772
Business-type activities:		
Water Utility:		
Water Improvement SRF	2,142,000	174,621
Wastewater Utility:		
Capital leases:		
Truck	215,450	51,773
Revenue bonds:		
1998 Sewer Improvement	120,000	26,480
2000 Sewer Improvement	1,434,091	112,589
Total Wastewater Utility	1,769,541	190,842
Total business-type activities debt:	\$ 3,911,541	\$ 365,463

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS

DEPOSITS

Two of twelve receipts tested were deposited later than the next business day.

Two of nine customer collections tested were deposited later than the next business day.

Deposits received to reserve the community hall were not deposited. The Town held the deposits and then returned them to the depositor after the rental date.

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."

OVERDRAWN FUND BALANCES

The Swimming Pool Fund was overdrawn in 2007 and the Wastewater Utility Operating Fund was overdrawn in 2008.

The fund 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)

ORDINANCES AND RESOLUTIONS

The Town has a Bond Ordinance that requires a monthly transfer from the Water Operating Fund to the Water Bond and Interest Fund. However, the Town did not transfer a sufficient amount to cover the bond payment.

Three of ten customer accounts tested were not properly calculated with the 10% penalty. Town Ordinance 2004-686 states that penalties of 10% are assessed to the total utility bill.

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Two claims tested were paid from a photo-copied invoice.
- (2) For one of the disbursements tested, the check was written and cleared the bank in December 2008. The claim was not posted to the ledger and approved by the board until January 13, 2009.

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-10-1.6 states in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$3,243.45 was paid to the Indiana Department of Revenue for not filing WH-3s for the years 2001-2007.

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 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)

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

Fund	Years	Excess Amount Expended
General	2008	\$ 6,875
Rainy Day	2008	4,384
Cumulative Capital Improvement	2008	21,004

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 6-1.1-18-4 states in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

COMPENSATION AND BENEFITS

Carol Keller, Deputy Clerk-Treasurer, received \$31,096.80 in payments for 2008 which were not included on the salary ordinance or resolution.

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)

SERVICE AND TIME RECORDS

Supervisors did not review or sign the time cards for the utility workers. The Clerk-Treasurer will discuss with the supervisors and implement a new procedure.

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)

FUND SOURCES AND USES

Funds were disbursed from the Town Urban Development Fund and the Wastewater Utility Construction Fund, Wastewater Utility Bond and Interest Fund, Wastewater Utility Improvement Fund, and Wastewater Utility Debt Service Fund for the Water Utility SRF loan payments.

Funds were disbursed from Motor Vehicle Highway Fund for salaries for two cemetery workers for six months in 2008.

Funds were disbursed from Electric Utility - Operating Fund for the salary of the meter reader for four months in 2007. The salary should have been split between Light Operating and Water Operating.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

As previously stated in Reports B25473 and B30192, the detailed customer deposit register does not reconcile with the customer deposit amount recorded on the fund ledger. Two of twelve customer deposit refunds tested were not posted to the customer deposit register.

Interest earned on some investments was receipted into the customer deposit fund instead of being deposited into the operating fund.

TOWN OF ROCKVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 ROCKVILLE
EXIT CONFERENCE

The contents of this report were discussed on October 22, 2009, with Norman Camerer, President of the Town Council; Patty Overpeck, Clerk-Treasurer; Elwyn Kelly Price, Town Council member; Neil Goheen, Town Manager; Imogene Rahn, former Clerk-Treasurer; and Lisa Wilcox, former Clerk-Treasurer. The officials concurred with our findings.