

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

EXAMINATION REPORT
OF
TOWN OF ROANN
WABASH COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
12/29/2009

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Janet K. Lyons Sonia R. Poe	01-01-04 to 11-20-07 11-21-07 to 12-31-11
President of the Town Council	Stephen R. Johnson Daniel J. Yocum Brady K. Brower	01-01-07 to 12-31-07 01-01-08 to 12-31-08 01-01-09 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 ROANN, WABASH COUNTY, INDIANA

We were engaged to examine the financial information presented herein of the Town of Roann (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.

Except as described in the following paragraph, 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.

Due to inaccurate and incomplete accounting records, we were unable to obtain sufficient, competent, evidential matter to support the receipts, disbursements, and cash and investment balances for the period of January 1, 2007 to December 31, 2008.

Because the Town did not maintain accurate and complete records as described above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial information presented herein for the period of January 1, 2007 to December 31, 2008.

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 1, 2009

TOWN OF ROANN
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	\$ 179,190	\$ 128,506	\$ 77,013	\$ 230,683
Motor Vehicle Highway	52,966	12,697	4,249	61,414
Local Road and Street	3,518	2,138	826	4,830
Rainy Day	1,098	-	-	1,098
Sanitation	754	13,409	14,818	(655)
Levy Excess	1,089	485	-	1,574
Cumulative Capital Improvement	4,206	660	2,450	2,416
Cumulative Fire	16,378	-	-	16,378
Economic Development Income Tax	21,235	9,386	1,703	28,918
Proprietary Funds:				
Water Utility - Operating	33,559	86,826	86,174	34,211
Water Utility - Bond and Interest	2,455	158	-	2,613
Water Utility - Depreciation	11,688	4,400	-	16,088
Water Utility - Customer Deposit	50	-	-	50
Wastewater Utility - Operating	57,828	119,823	132,588	45,063
Wastewater Utility - Bond and Interest	14,582	36,561	42,576	8,567
Wastewater Utility - Depreciation	7,552	7,731	-	15,283
Wastewater Utility - Debt Service Reserve	51,660	208	-	51,868
Wastewater Utility - Construction	1,104	27,257	28,872	(511)
Wastewater Utility - Construction Escrow	35,197	-	35,197	-
Totals	<u>\$ 496,109</u>	<u>\$ 450,245</u>	<u>\$ 426,466</u>	<u>\$ 519,888</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 230,683	\$ 88,060	\$ 124,714	\$ 194,029
Motor Vehicle Highway	61,414	9,080	19,630	50,864
Local Road and Street	4,830	2,423	6,990	263
Rainy Day	1,098	1,313	-	2,411
Sanitation	(655)	15,051	13,895	501
Levy Excess	1,574	1,543	-	3,117
Playground Donation	-	3,684	-	3,684
Cumulative Capital Improvement	2,416	-	-	2,416
Cumulative Fire	16,378	32,602	-	48,980
Economic Development Income Tax	28,918	7,055	24,071	11,902
Proprietary Funds:				
Water Utility - Operating	34,211	56,959	36,926	54,244
Water Utility - Bond and Interest	2,613	-	-	2,613
Water Utility - Depreciation	16,088	-	16,230	(142)
Water Utility - Customer Deposit	50	-	-	50
Wastewater Utility - Operating	45,063	110,242	69,308	85,997
Wastewater Utility - Bond and Interest	8,567	58,215	47,927	18,855
Wastewater Utility - Depreciation	15,283	28,053	89	43,247
Wastewater Utility - Debt Service Reserve	51,868	-	-	51,868
Wastewater Utility - Construction	(511)	-	-	(511)
Totals	<u>\$ 519,888</u>	<u>\$ 414,280</u>	<u>\$ 359,780</u>	<u>\$ 574,388</u>

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

TOWN OF ROANN
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: highways and streets, public improvements, general administrative services, water and wastewater.

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 ROANN
 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:		
Notes and loans payable:		
2008 State Revolving Fund Loan	\$ 440,579	\$ 8,352
Revenue bonds:		
2005 Sewage Works Refunding Revenue Bonds	<u>13,000</u>	<u>13,231</u>
 Total Wastewater Utility	 <u>\$ 453,579</u>	 <u>\$ 21,583</u>

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATION

The financial records did not provide sufficient information to examine or establish receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for the examination period January 1, 2007 to December 31, 2008. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Accountant's Report for the financial information for the examination period.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPTS NOT DEPOSITED

As noted in prior Report B31497, a comparison of receipts to the bank deposits for the period January 1, 2007 through November 13, 2007, indicated net undeposited receipts of \$3,780. Indiana State Police personnel interviewed Janet K. Lyons, former Clerk-Treasurer, on November 15, 2007. She admitted to the theft of the funds at that time and reimbursed the Town that amount on December 22, 2007.

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)

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping, which were cited in the prior Report B31497, were again present during our period of examination:

- (1) Depository reconciliations of the fund balances to the bank account balances were not presented for examination or were incorrect.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, receipts not posted to the proper funds, duplicate posting of receipts, interest not posted, fund transfer receipts without corresponding disbursements, and checks that cleared the bank that were never posted to the records.

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)

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (3) Some transactions were recorded as "negative" receipts and disbursements.

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 PAYROLL RECORDS

The following deficiencies in payroll records, which were cited in the prior Report B31497, were again present during our period of examination:

- (1) Internal Revenue Service Forms W-2 or 1099 issued by the Town did not always agree with wages paid to the employees or payments for contractual services.
- (2) Employee's Earnings Record (Form 99B) and Employee's Service Record (Form 99A) were not provided for examination.
- (3) Payroll withholdings were not properly reported or remitted to the Internal Revenue Service or the Indiana Department of Revenue. At times, withholdings were overpaid resulting in refunds totaling \$864 from the Internal Revenue Service in July 2008. At times, withholdings were remitted late resulting in penalty and interest assessments. Penalties and interest totaling \$585 were paid to the Indiana Department of Revenue and subsequently reimbursed by the prior Clerk-Treasurer on March 13, 2008.

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)

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)

OVERDRAWN CASH BALANCES

The cash balance of the Sanitation Fund and Wastewater Construction Fund were overdrawn by \$655 and \$511, respectively at December 31, 2007. The cash balance of the Water Depreciation Fund and Wastewater Construction Fund were overdrawn by \$142 and \$511, respectively at December 31, 2008.

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Tax distributions received on November 3, 2008, were not deposited until November 17, 2008. Cash of \$1,469 received between July 1, 2008 and September 30, 2008, was not deposited until September 30, 2008. Because the Town does not have a bank in its corporate limits, they have a policy that cash on hand does not need deposited until the amount exceeds \$500.

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."

RECEIPT DEPOSITS

The Town utilizes a check reader which allows for checks and money orders to be electronically deposited. At various times during the period of examination, the Clerk-Treasurer would purchase money orders with the cash received from utility payments. This procedure would not allow for accurate verification of the makeup of deposits.

Public funds shall be deposited in the same form in which they were received. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAYMENT COLLECTIONS

During our examination of the records, it was brought to the attention of the Town officials that an overpayment of \$8,410 was made to First Merchants Corporation (formerly Frances Slocum Bank) on June 12, 2007, for principal and interest due on the Sewage Works Refunding Revenue Bonds of 2005. The overpayment was refunded by First Merchants Corporation on October 28, 2009.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INVESTMENT MATURITY LIMITATIONS

The Town purchased three certificates of deposit during the period of examination which have stated maturities in excess of two years.

IC 5-13-9-5.6 states: "Investments made under IC 5-13-9 must have a stated final maturity of not more than two years after the date of purchase or entry into a repurchase agreement."

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

UTILITY RECEIPTS TAX

The Water Utility did not pay utility receipts tax to the Indiana Department of Revenue during the period of examination.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROPRIATIONS

In 2008, Local Road and Street Fund expenditures exceeded budgeted appropriations by \$1,181. A similar comment appeared in prior Report B31497.

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."

HYDRANT RENTAL

The Town overpaid the Water Utility \$3,062 for hydrant rental during 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)

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. This comment appeared in prior Report B31497.

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:
 - (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.

TOWN OF ROANN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(C) The amount of the delinquent fees, together with the penalty.

(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. . . ."

ANNUAL REPORT

An annual report for 2007 was not presented for examination and the annual report for 2008 was inaccurate and incomplete.

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 . . ."

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for 2007.

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

CAPITAL ASSET RECORDS

The capital asset records presented for examination were incomplete. Some capital assets were not recorded or were recorded at incorrect amounts. A similar comment appeared in prior Report B31497.

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. 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)

TOWN OF ROANN
EXIT CONFERENCE

The contents of this report were discussed on December 1, 2009, with Sonia R. Poe, Clerk-Treasurer; and Brady K. Brower, President of the Town Council.