

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

EXAMINATION REPORT
OF
TOWN OF NEW RICHMOND
MONTGOMERY 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 Brown Kathy Sering	01-01-07 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Kathy Peevler Jeremy Potter	01-01-07 to 12-31-07 01-01-08 to 12-31-09
Superintendent of Utilities	Ramon Knutti	06-01-07 to 12-31-09



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW RICHMOND, MONTGOMERY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of New Richmond (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

November 9, 2009

TOWN OF NEW RICHMOND
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	\$ 27,191	\$ 64,710	\$ 86,865	\$ 5,036
Motor Vehicle Highway	44,102	15,180	16,906	42,376
Local Road and Street	3,423	1,836	1,483	3,776
Fire Station/Community Room Donations	-	8,671	8,437	234
Park and Recreation	10,808	174	6,282	4,700
Law Enforcement Continuing Education	1,041	200	-	1,241
Excess Levy	3,270	-	-	3,270
Cumulative Capital Improvement	6,748	1,226	7,974	-
Cumulative Fire	118	-	118	-
Landscaping Grant	765	679	1,444	-
Lagoon Repair Match	226	3,005	2,822	409
Proprietary Funds:				
Water Utility - Operating	19,063	60,513	62,033	17,543
Water Utility - Debt Reserve	-	-	-	-
Water Utility - Customer Deposit	8,237	2,250	1,418	9,069
Wastewater Utility - Operating	6,164	92,133	89,386	8,911
Wastewater Utility - Debt Reserve	795	6,389	-	7,184
Wastewater Utility - Bond and Interest	-	3,142	-	3,142
Totals	<u>\$ 131,951</u>	<u>\$ 260,108</u>	<u>\$ 285,168</u>	<u>\$ 106,891</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 5,036	\$ 124,973	\$ 106,382	\$ 23,627
Motor Vehicle Highway	42,376	10,589	41,615	11,350
Local Road and Street	3,776	1,743	298	5,221
Fire Station/Community Room Donations	234	625	350	509
Park and Recreation	4,700	-	546	4,154
Law Enforcement Continuing Education	1,241	455	-	1,696
Excess Levy	3,270	-	2,529	741
Cumulative Capital Improvement	-	539	-	539
Cumulative Fire	-	-	-	-
Landscaping Grant	-	-	-	-
Lagoon Repair Match	409	-	-	409
Proprietary Funds:				
Water Utility - Operating	17,543	74,458	64,517	27,484
Water Utility - Debt Reserve	-	10,000	-	10,000
Water Utility - Customer Deposit	9,069	2,356	1,852	9,573
Wastewater Utility - Operating	8,911	93,804	89,075	13,640
Wastewater Utility - Debt Reserve	7,184	10,116	-	17,300
Wastewater Utility - Bond and Interest	3,142	4,279	-	7,421
Totals	<u>\$ 106,891</u>	<u>\$ 333,937</u>	<u>\$ 307,164</u>	<u>\$ 133,664</u>

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

TOWN OF NEW RICHMOND
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, highways and streets, culture and recreation, 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 NEW RICHMOND
 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:		
Capital leases:		
Case Tractor Mower	\$ 19,519	\$ 5,795
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
Bonds of 1999	\$ 794,000	\$ 46,738

TOWN OF NEW RICHMOND
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bond was purchased but not filed in the Office of the County Recorder:

Kathy Sering 01-01-08 to 01-01-09

IC 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

ORDINANCES AND RESOLUTIONS

The Sewage Bond Ordinance of 1999 requires monthly transfers from the Wastewater Operating to Wastewater Bond and Interest Fund. However, the Town did not transfer a sufficient amount to cover the bond payment. The Town also has not maintained a sufficient balance in the Debt Reserve Fund to meet the Reserve Requirements of the ordinance. Failure to maintain these funds as stated in their ordinance may result in an inability to meet bond payment obligations. It is recommended that the Utility comply with the Sewage Works Revenue Bond ordinance.

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)

APPROPRIATIONS

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

<u>Fund</u>	<u>Year</u>	<u>Excess Amount Expended</u>
General	2008	<u>\$ 2,406</u>

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

The following employees received payments that were not included on the salary ordinance but all claims were approved by the Town Council:

2007 Ryan Brown was paid as assistant for the Street Department for \$5,431.75.
Dana Knutti was paid as assistant for the Street Department for \$2,999.62.

2008 Alaathea Foust was paid as the Deputy Clerk-Treasurer for \$1,353.75.

TOWN OF NEW RICHMOND
EXAMINATION RESULTS AND COMMENTS
(Continued)

The following was on the salary ordinance but the W2 was incorrect.

Ramon Knutti received \$11,600 in payments for 2007 but his W2 stated \$11,200. The Clerk-Treasurer has been advised to contact the IRS and Indiana Department of Revenue to amend the necessary forms.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

The December 2008 credit card statement included a \$39 late fee and \$3.23 finance charge which was paid by the unit. Sales tax of \$8.02 was paid on an invoice in November 2007.

The Indiana Department of Revenue sales tax voucher for December 2008 was filed late. A late fee of \$31.30 was paid by the unit.

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)

CAPITAL ASSET RECORDS

The Town does not maintain a listing of capital assets.

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)

UTILITY RECEIPTS TAX

The Water Utility did not file the annual Utility Receipts Tax Returns for 2007 and 2008 to the Indiana Department of Revenue. The Water Utility did not make any estimated payments for 2008. A similar comment was included in Report B29953.

TOWN OF NEW RICHMOND
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of examination:

- (1) Surtax and wheel tax were receipted to the General Fund instead of the Motor Vehicle Highway Fund.
- (2) Three transfers for the Wastewater Bond and Interest fund were not posted from the Wastewater Operating Fund.
- (3) Six disbursements in September 2008, were not posted to the General Fund.
- (4) There were numerous posting errors made to receipts and disbursements of the Water Operating Fund.
- (5) Funds were disbursed from the Water Fund for \$500 and Wastewater Fund for \$1,700 for Ramon Knutti's salary which should have been paid from the Motor Vehicle Highway Fund.
- (6) 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)

ERRORS ON CLAIMS

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

- (1) A claim was not found for one of thirty disbursements tested.
- (2) Two of thirty disbursements tested did not include the original receipt with the claim.
- (3) One claim was not certified by the clerk-treasurer out of the thirty disbursements tested.
- (4) Three of five disbursements or invoices tested did not have evidence to support receipt of goods or services.

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."

TOWN OF NEW RICHMOND
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(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."

TOWN OF NEW RICHMOND
EXIT CONFERENCE

The contents of this report were discussed on November 9, 2009, with Kathy Sering, Clerk-Treasurer; and Jeremy Potter, President of the Town Council.