

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

EXAMINATION REPORT  
OF  
TOWN OF ZANESVILLE  
WELLS COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
12/30/2009



## 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
Examination Results and Comments:	
Bank Account Reconciliations .....	6
Condition of Records - Posting Errors .....	6
Receipt Issuance .....	6
Overdrawn Cash Balances.....	6-7
Appropriations.....	7
Capital Asset Records .....	7
Condition of Records - Disbursements.....	7-8
Time Records .....	8
Prescribed Forms .....	8-9
Exit Conference.....	10

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Julie A. Christian

01-01-07 to 12-31-10

President of the  
Town Council

Patsy A. Brock

01-01-07 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](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ZANESVILLE, WELLS COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

November 23, 2009

TOWN OF ZANESVILLE  
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	\$ 15,325	\$ 66,092	\$ 98,130	\$ (16,713)
Motor Vehicle Highway	33,526	25,291	21,211	37,606
Local Road and Street	2,105	3,221	-	5,326
Festival	768	197	-	965
Riverboat	11,387	3,796	-	15,183
Fire	8,837	10,738	18,265	1,310
Rainy Day	-	1,104	-	1,104
Law Enforcement Continuing Education	-	558	528	30
Cumulative Capital Improvement	1,131	2,114	-	3,245
Cumulative Capital Development	4,321	4,676	181	8,816
Economic Development Income Tax	(10,098)	12,960	9,239	(6,377)
Levy Excess	795	-	-	795
Proprietary Fund:				
Water Utility - Operating	47,611	354,794	393,515	8,890
	<u>\$ 115,708</u>	<u>\$ 485,541</u>	<u>\$ 541,069</u>	<u>\$ 60,180</u>
	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (16,713)	\$ 67,829	\$ 62,795	\$ (11,679)
Motor Vehicle Highway	37,606	20,316	22,724	35,198
Local Road and Street	5,326	3,072	3,000	5,398
Festival	965	265	778	452
Riverboat	15,183	3,776	3,900	15,059
Fire	1,310	10,529	12,524	(685)
Rainy Day	1,104	1,610	-	2,714
Law Enforcement Continuing Education	30	26,444	5,512	20,962
Cumulative Capital Improvement	3,245	1,958	2,000	3,203
Cumulative Capital Development	8,816	4,506	3,083	10,239
Economic Development Income Tax	(6,377)	11,613	-	5,236
Levy Excess	795	-	-	795
Proprietary Fund:				
Water Utility - Operating	8,890	369,950	340,452	38,388
Totals	<u>\$ 60,180</u>	<u>\$ 521,868</u>	<u>\$ 456,768</u>	<u>\$ 125,280</u>

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

TOWN OF ZANESVILLE  
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, general administrative services 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.

Note 6. Sale of Wastewater Utility

On November 20, 2008, the Zanesville Town Council approved Resolution 2008-04 authorizing the sale of the sanitary sewer system to the City of Fort Wayne (City) effective January 1, 2009. The City assumed the outstanding bonds of the Utility (\$853,000) and paid the Town of Zanesville a cash payment of \$185,500.

TOWN OF ZANESVILLE  
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Reconciliations of the fund balances to the bank account balances were not completed during the examination period. A similar comment appeared in prior Report B29797.

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."

CONDITION OF RECORDS - POSTING ERRORS

Financial records presented for audit were incomplete and not reflective of the activity of the Town funds. A generic check register was used to account for the Town's deposits and checks issued. Deposits made during 2007 and many checks issued during 2007 and 2008 were not posted to the Ledger of Receipts, Disbursements and Balances (City and Town Form 208).

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)

RECEIPT ISSUANCE

Receipts (Town Form 217) were either incomplete or were not being used to record funds received by the Town. A similar comment appeared in prior Report B29797.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN CASH BALANCES

The cash balances of the following funds were overdrawn:

<u>Fund</u>	<u>December 31, 2007</u>	<u>December 31, 2008</u>
General	\$ 16,713	\$ 11,679
Economic Development Income Tax	6,377	-
Fire	--	685

A similar comment appeared in prior Report B29797.

TOWN OF ZANESVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

APPROPRIATIONS

Expenditures exceeded budgeted appropriations for the following funds:

Fund	2007	2008
General	\$ 16,583	\$ -
Motor Vehicle Highway	8,011	9,524
Fire	1,484	23

A similar comment appeared in prior Report B29797.

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."

CAPITAL ASSET RECORDS

The Town does not maintain capital asset records. The Town has no formal policy for establishing the threshold at which capital assets are to be recorded. A similar comment appeared in prior Report B29797.

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)

CONDITION OF RECORDS - DISBURSEMENTS

The following deficiencies were noted during the examination:

1. Of the disbursements tested, 34% did not have supporting documentation;
2. Sales tax was paid on some purchases;
3. There were numerous posting errors. These errors included disbursements posted to incorrect accounts or not posted at all; and
4. Accounts payable vouchers were not signed by the Clerk-Treasurer.

TOWN OF ZANESVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Supporting documentation such as receipts, canceled checks, tickets, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (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)

TIME RECORDS

The Clerk-Treasurer receives an hourly rate of pay for work performed on sewer lien filings. Time records were not maintained to document hours worked on sewer liens.

IC 5-11-9-4 requires that records be maintained showing which hours are worked each day for employees employed by more than one political subdivision or in more than one position by the same public agency. This requirement can be met by indicating the number of hours worked on each Employee's Service. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PRESCRIBED FORMS

The following prescribed or approved forms were not in use during the examination period:

1. Accounts Payable Voucher Register (General Form 364);
2. Clerk-Treasurer's, City Controller's and City Treasurer's Monthly Financial, Depository Statement and Cash Reconciliation (City and Town Form 206);
3. Treasurer's Daily Balance of Cash, Depositories and Investments (City and Town Form 212); and
4. Simplified Cash Journal - Wastewater Utility (Utility Form 323).

The following prescribed forms were in use, but not used in the manner prescribed:

1. Ledger of Appropriations, Encumbrances, Disbursements and Balances (City and Town Form 209);
2. Ledger of Receipts, Disbursements and Balances (City and Town Form 208); and
3. Payroll Schedule and Voucher (General Form 99).

TOWN OF ZANESVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

In some instances, officials were using alternate, self-created worksheets in lieu of prescribed or approved forms. A similar comment appeared in prior Report B29797.

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 ZANESVILLE  
EXIT CONFERENCE

The contents of this report were discussed on November 23, 2009, with Julie A. Christian, Clerk-Treasurer; and Patsy A. Brock, President of the Town Council. The officials concurred with our findings.