

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

EXAMINATION REPORT
OF
TOWN OF THORNTOWN
BOONE COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
01/19/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Peggy Vaughn	01-01-04 to 12-31-11
Town Court Judge	Donald Vaughn	01-01-04 to 12-31-11
President of the Town Council	Gary Jones Pat McPeak	01-01-07 to 12-31-07 01-01-08 to 12-31-09
President of the Utility Service Board	Donald Vaughn Carlos Tyree Mike Spear	01-01-07 to 12-31-07 01-01-08 to 04-21-08 04-22-08 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 THORNTOWN, BOONE COUNTY, INDIANA

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

October 28, 2009

TOWN OF THORNTOWN
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	\$ 232,741	\$ 385,954	\$ 502,580	\$ 116,115
Motor Vehicle Highway	114,839	60,652	25,758	149,733
Local Road and Street	22,276	10,201	-	32,477
Law Enforcement Continuing Education	83,911	4,884	-	88,795
Rainy Day	1,853	-	-	1,853
Park Donation	12,765	-	-	12,765
Rails to Trails	-	19,197	19,197	-
Cumulative Capital Improvement	80,593	5,486	-	86,079
Cumulative Capital Development	45,321	8,996	-	54,317
Street and Sign Repair	522	-	-	522
County Court	-	26,594	26,594	-
Police Firearms Training	739	550	574	715
Police and Accident Report	821	54	-	875
Police Donation	897	75	-	972
Operation Pullover	-	1,000	-	1,000
IDNR Training	79	-	12	67
Town Police Training	3,054	650	690	3,014
Record Perpetuation	-	10,000	1,206	8,794
Proprietary Funds:				
Water Utility - Operating	243,939	196,492	173,001	267,430
Water Utility - Depreciation	25,958	4,915	-	30,873
Water Utility - Customer Deposit	6,688	1,625	1,057	7,256
Wastewater Utility - Operating	539,670	175,422	156,830	558,262
Wastewater Utility - Depreciation	174,757	19,618	80,890	113,485
Wastewater Utility - Customer Deposit	6,396	1,600	1,052	6,944
Electric Utility - Operating	1,530,941	1,056,457	1,066,114	1,521,284
Electric Utility - Depreciation	226,688	15,164	-	241,852
Electric Utility - Customer Deposit	31,971	7,550	5,293	34,228
Fiduciary Funds:				
Payroll	8,476	554,541	560,541	2,476
Levy Excess	6,273	-	2,097	4,176
Town Court	73,734	388,674	219,413	242,995
Totals	\$ 3,475,902	\$ 2,956,351	\$ 2,842,899	\$ 3,589,354

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 116,115	\$ 575,332	\$ 471,750	\$ 219,697
Motor Vehicle Highway	149,733	42,553	27,533	164,753
Local Road and Street	32,477	10,015	-	42,492
Law Enforcement Continuing Education	88,795	10,572	-	99,367
Rainy Day	1,853	35,389	-	37,242
Park Donation	12,765	38	12,765	38
Rails to Trails	-	347,863	347,863	-
Cumulative Capital Improvement	86,079	5,080	60,000	31,159
Cumulative Capital Development	54,317	16,110	8,691	61,736
Street and Sign Repair	522	-	-	522
County Court	-	51,038	51,038	-
Police Firearms Training	715	1,020	197	1,538
Police and Accident Report	875	34	-	909
Police Donation	972	-	972	-
Operation Pullover	1,000	6,000	5,952	1,048
IDNR Training	67	-	-	67
Town Police Training	3,014	1,077	750	3,341
Record Perpetuation	8,794	-	2,376	6,418
Proprietary Funds:				
Water Utility - Operating	267,430	183,873	163,714	287,589
Water Utility - Depreciation	30,873	4,751	-	35,624
Water Utility - Customer Deposit	7,256	1,675	1,210	7,721
Wastewater Utility - Operating	558,262	148,536	145,653	561,145
Wastewater Utility - Depreciation	113,485	17,791	43,850	87,426
Wastewater Utility - Customer Deposit	6,944	1,675	1,190	7,429
Electric Utility - Operating	1,521,284	1,055,297	1,116,886	1,459,695
Electric Utility - Depreciation	241,852	10,329	-	252,181
Electric Utility - Customer Deposit	34,228	8,755	6,395	36,588
Fiduciary Funds:				
Payroll	2,476	593,719	589,125	7,070
Levy Excess	4,176	-	-	4,176
Town Court	242,995	447,493	614,251	76,237
Totals	\$ 3,589,354	\$ 3,576,015	\$ 3,672,161	\$ 3,493,208

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

TOWN OF THORNTOWN
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, electric, water, wastewater, 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.

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 THORNTOWN
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.

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BONDS

Current public official bonds were not filed in the Office of the County Recorder for the following:

Peggy Vaughn, Clerk Treasurer
Donald Vaughn, Town Court Judge

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. . . ."

CLERK'S TRUST ITEMS OVER FIVE YEARS OLD

Our review of trust items on hand revealed that many items had been on hand for a period of five years or longer.

IC 32-34-1-20(c) states in part

"Property that is held, issued, or owed in the ordinary course of a holder's business is presumed abandoned if the owner or apparent owner has not communicated in writing with the holder concerning the property or has not otherwise given an indication of interest in the property during the following times: . . .

- (6) For property or proceeds held by a court or a court clerk, five (5) years after the property or proceeds become distributable. The property or proceeds must be treated as unclaimed property under IC 32-34-3."

REMITTANCE OF COURT COSTS AND FEES

Collections of court costs and fees were not remitted to the County or the State of Indiana on a timely basis. Delays of up to 12 months were noted during the audit period.

IC 33-37-7-8 states in part:

"(a) The clerk of a city or town court shall distribute semiannually to the auditor of state as the state share for deposit in the state general fund fifty-five percent (55%) of the amount of fees collected . . .

(b) The city or town fiscal officer shall distribute monthly to the county auditor as the county share twenty percent (20%) of the amount of fees collected . . .

(c) The city or town fiscal officer shall retain twenty-five percent (25%) as the city or town share of the fees collected . . .

(d) The clerk of a city or town court shall distribute semiannually to the auditor of state for deposit in the state user fee fund established in IC 33-37-9 . . .

(e) The clerk of a city or town court shall distribute monthly to the county auditor . . .

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(f) The clerk of a city or town court shall distribute monthly to the city or town fiscal officer (as defined in IC 36-1-2-7) one hundred percent (100%) of the following:

- (1) The late payment fees collected under IC 33-37-5-22.
- (2) The small claims service fee collected under IC 33-37-4-6(a)(1)(B) or IC 33-37-4-6(a)(2).
- (3) The small claims garnishee service fee collected under IC 33-37-4-6(a)(1)(C) or IC 33-37-4-6(a)(3). . . .

(g) The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the state general fund one hundred percent (100%) of the following:

- (1) The public defense administration fee collected under IC 33-37-5-21.2.
- (2) The DNA sample processing fees collected under IC 33-37-5-26.2.
- (3) The court administration fees collected under IC 33-37-5-27. . . .

(h) The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the judicial branch insurance adjustment account established by IC 33-38-5-8.2 one hundred percent (100%) of the judicial insurance adjustment fee collected . . .

(i) The clerk of a city or town court shall semiannually distribute to the auditor of state for deposit in the state general fund seventy-five percent (75%) of the judicial salaries fee collected under IC 33-37-5-26. The city or town fiscal officer shall retain twenty-five percent (25%) of the judicial salaries fee collected under IC 33-37-5-26."

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.

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 . . .
- (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 . . .

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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 . . ."

CONFLICT OF INTEREST

McPeak Construction, operated by Pat McPeak, President of the Town Council, has been paid by the Town under several contracts for various projects (window installation, basement remodeling, trail construction, and other miscellaneous work). A Uniform Conflict of Interest Disclosure Statement has not been filed for all contracts. A Uniform Conflict of Interest Disclosure Statement was filed on November 18, 2007, for the Town Hall window installation.

IC 35-44-1-3 states in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6).

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town and Utilities do not have formal capitalization policies. The Town and Utilities do not maintain sufficient detailed records of capital assets on prescribed or approved forms. Upon purchase of an asset, the costs of the capital assets are added to an aggregate amount. Records providing historical costs for some of the Town and Utilities capital assets are not available.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

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)

CREDIT CARDS

The Town and Utilities are using credit cards to purchase items without an approved credit card policy.

The State Board of Accounts will not take exception to the use of credit cards by a governmental unit provided the following criteria are observed:

- (1) The governing board must authorize credit card use through an ordinance or resolution, which has been approved in the minutes.
- (2) Issuance and use should be handled by an official or employee designated by the board.
- (3) The purposes for which the credit card may be used must be specifically stated in the ordinance or resolution.
- (4) When the purpose for which the credit card has been issued has been accomplished, the card should be returned to the custody of the responsible person.
- (5) The designated responsible official or employee should maintain an accounting system or log which would include the names of individuals requesting usage of the cards, their position, estimated amounts to be charged, fund and account numbers to be charged, date the card is issued and returned, etc.
- (6) Credit cards should not be used to bypass the accounting system. One reason that purchase orders are issued is to provide the fiscal officer with the means to encumber and track appropriations to provide the governing board and other officials with timely and accurate accounting information and monitoring of the accounting system.

TOWN OF THORNTOWN
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (7) Payment should not be made on the basis of a statement or a credit card slip only. Procedures for payments should be no different than for any other claim. Supporting documents such as paid bills and receipts must be available. Additionally, any interest or penalty incurred due to late filing or furnishing of documentation by an officer or employee should be the responsibility of that officer or employee.
- (8) If properly authorized, an annual fee may be paid.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ACQUISITION AND DISPOSITION OF ASSETS

In April 2009, the Town of Thorntown purchased property at sheriff sale for the amount of \$15,459. Subsequently, in July 2009, this property was sold for \$22,000 (only one bid received). No information presented for audit would indicate that appraisals of the property were obtained prior to the purchase or the subsequent sale of the property. The 2008 assessed value was \$64,000.

IC 36-1-10.5-5 states:

"A purchasing agent shall purchase land or a structure only after compliance with the following procedures:

- (1) The fiscal body of the political subdivision shall pass a resolution to the effect that it is interested in making a purchase of specified land or a structure.
- (2) The purchasing agent shall appoint two (2) appraisers to appraise the fair market value of the land or structure. The appraisers must be professionally engaged in making appraisals or be trained as an appraiser and licensed as a broker under IC 25-34.1.
- (3) The appraisers shall return their separate appraisals to the purchasing agent within thirty (30) days after the date of their appointment. The purchasing agent shall keep the appraisals on file in the purchasing agent's office for five (5) years after they are given to the purchasing agent.
- (4) The purchasing agent shall give a copy of both appraisals to the fiscal body."

IC 36-1-10.5-6 states:

"A purchasing agent may not purchase any land or structure for a price greater than the average of the two (2) appraisals received under section 5 of this chapter."

IC 36-1-11-4(b) states:

"The disposing agent shall first have the property appraised by two (2) appraisers."

TOWN OF THORNTOWN
EXIT CONFERENCE

The contents of this report were discussed on December 9, 2009, with Peggy Vaughn, Clerk-Treasurer; Pat McPeak, President of the Town Council; Sandy Gates, Utility Office Manager/Court Clerk; Mike Spear, President of the Utility Service Board; and Donald Vaughn, Town Court Judge.