

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

EXAMINATION REPORT
OF
TOWN OF STRAUGHN
HENRY COUNTY, INDIANA
January 1, 2007 to December 31, 2008



FILED
02/11/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Rebecca S. Harris
Debbie Smith

01-01-04 to 12-31-07
01-01-08 to 12-31-11

President of the
Town Council

Robert Harris
Bobbi Plummer
Stacy Smith

01-01-07 to 12-31-07
01-01-08 to 04-14-09
04-15-09 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 STRAUGHN, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Straughn (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 18, 2009

TOWN OF STRAUGHN
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	\$ 19,421	\$ 36,090	\$ 41,047	\$ 14,464
Motor Vehicle Highway	12,371	9,462	3,930	17,903
Local Road and Street	16,127	4,608	6,722	14,013
Sanitation	7,353	9,027	8,070	8,310
Riverboat	4,972	1,658	5,000	1,630
Cash Reserve	252	-	-	252
Cumulative Capital Improvement	1,844	924	-	2,768
Cumulative Capital Development	1,158	633	-	1,791
Storm Sewer Drainage Easement	11,022	-	-	11,022
Street and Tree Escrow	8,562	41	-	8,603
Proprietary Funds:				
Electric Utility - Operating	25,719	151,029	154,386	22,362
Electric Utility - Customer Deposit	7,787	800	250	8,337
Fiduciary Fund:				
Payroll	1,040	25,300	25,214	1,126
Totals	<u>\$ 117,628</u>	<u>\$ 239,572</u>	<u>\$ 244,619</u>	<u>\$ 112,581</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 14,464	\$ 37,314	\$ 39,726	\$ 12,052
Motor Vehicle Highway	17,903	7,104	4,848	20,159
Local Road and Street	14,013	4,208	2,571	15,650
Sanitation	8,310	8,639	8,346	8,603
Riverboat	1,630	1,650	938	2,342
Housing Grant Refund	-	6,228	1,418	4,810
Cash Reserve	252	-	-	252
Cumulative Capital Improvement	2,768	855	-	3,623
Cumulative Capital Development	1,791	2,927	-	4,718
Storm Sewer Drainage Easement	11,022	-	-	11,022
Street and Tree Escrow	8,603	44	-	8,647
Proprietary Funds:				
Electric Utility - Operating	22,362	138,305	158,900	1,767
Electric Utility - Customer Deposit	8,337	800	1,130	8,007
Fiduciary Fund:				
Payroll	1,126	26,237	26,114	1,249
Totals	<u>\$ 112,581</u>	<u>\$ 234,311</u>	<u>\$ 243,991</u>	<u>\$ 102,901</u>

The accompanying notes are an integral part of the schedules.

TOWN OF STRAUGHN
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, health and social services, culture and recreation, electric utility, 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.

Note 6. Subsequent Event

The Motor Vehicle Highway Fund loaned the General Fund \$5,000 on May 12, 2009. The temporary loan is to be repaid on or before December 31, 2009.

TOWN OF STRAUGHN
EXAMINATION RESULTS AND COMMENTS

FUND SOURCES AND USES (Applies to Former Clerk-Treasurer)

Tax distributions in the amount of \$417.67 due to the Cumulative Capital Development Fund were incorrectly recorded in the General Fund in 2006 by Rebecca S. Harris, former Clerk-Treasurer. In addition, tax distributions in the amount of \$898.15 due to the Cumulative Capital Development Fund were incorrectly recorded in the General Fund in October 2007 by Rebecca S. Harris, former Clerk-Treasurer.

On January 22, 2008, \$1,315.82 was transferred from the General Fund to the Cumulative Capital Development Fund to correct the posting errors noted above by the current Clerk-Treasurer.

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)

COMPENSATION AND BENEFITS (Applies to Former Clerk-Treasurer)

Rebecca S. Harris, former Clerk-Treasurer, received \$1,000 in compensation on December 28, 2007, from the Straughn Electric Utility Operating Fund which was not included in the payroll accounting system or in the approved salary ordinance. The additional compensation was for the period December 17, 2007 to December 28, 2007, for duties normally performed by the Clerk-Treasurer in January of each year such as all paperwork, reports, computer year-end reports, etc. The Town Council approved the payment of \$1,000 (\$25 per hour times 40 hours) to the former Clerk-Treasurer for those duties performed. The compensation was not reported on federal form W-2 issued for the calendar year 2007.

A corrected W-2 was filed by the current Clerk-Treasurer in early 2008 for Rebecca S. Harris that did include the additional \$1,000.00 compensation.

IC 36-5-3-2 (c) states: "The compensation of an elected town officer may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year."

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)

Outgoing Clerk-Treasurers and Controllers should completely post and balance their records before turning them over to their successors in office on January 1. The outgoing Clerk-Treasurer should also refer to the new officer the reports that must be prepared in January and offer assistance in preparing the reports, and in reconciling the depository accounts at the close of the year. If it is necessary for the outgoing official to assist the incoming official after December 31, it is permissible for the outgoing official to be compensated assuming (1) a position and salary has been established in the salary ordinance; (2) an appropriation is available for the position; and (3) funds are available. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

As a result of the above conditions, we are requesting that Rebecca S. Harris, former Clerk-Treasurer, repay the Town of Straughn Electric Utility Operating Fund \$1,000. (See Summary, page 10)

TOWN OF STRAUGHN
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF WARRANTS

The financial institution did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

IC 5-15-6-3 concerning optical imaging of checks, states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference."

"(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

CAPITAL ASSET RECORDS

As noted in prior Report B31040, the Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts (proprietary funds). Upon purchase, the costs of the capital assets are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the Capital Asset Ledger. However, records providing historical costs for some of the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or disposals of capital assets are not recorded.

The Town does not record capital assets for its governmental funds. When the Town purchases or disposes of a capital asset, the cost of the asset should be recorded or removed in the capital asset records.

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 STRAUGHN
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND INFORMATION

Indiana Public Official Bond Number B-8890769 from the Cincinnati Insurance Company was in force for Rebecca S. Harris for the period January 1, 2007 to January 1, 2008. The bond coverage was \$15,000.

TOWN OF STRAUGHN
EXIT CONFERENCE

The contents of this report were discussed on November 18, 2009, with Curt D. Cooper, Town Council member; and Debbie Smith, Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on November 18, 2009, with Rebecca S. Harris, former Clerk-Treasurer.

TOWN OF STRAUGHN
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Rebecca S. Harris, former Clerk-Treasurer: Compensation and Benefits, page 6	\$ 1,000	\$	\$
Payment received February 1, 2010, Check 3583	<u> </u>	<u>1,000</u>	<u>-</u>
Totals	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ -</u>