

B37268

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

EXAMINATION REPORT
OF
TOWN OF SPRING LAKE
HANCOCK COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
07/26/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Claudetta Sue Dennemann	01-01-08 to 12-31-11
President of the Town Council	Mary Sweetland	01-01-08 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SPRING LAKE, HANCOCK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Spring Lake (Town), for the period of January 1, 2008 to December 31, 2009. 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, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 22, 2010

TOWN OF SPRING LAKE
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2008 And 2009

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 32,879	\$ 49,605	\$ 39,902	\$ 42,582
Motor Vehicle Highway	47,836	14,740	8,210	54,366
Local Road and Street	7,500	3,494	9,923	1,071
Law Enforcement Continuing Education	17	-	-	17
Rainy Day	2,513	1,717	2,657	1,573
Donation - Flower	200	338	95	443
Cumulative Capital Improvement	602	852	-	1,454
Cumulative Capital Development	6,302	1,439	-	7,741
Excess Levy	426	-	426	-
Totals	\$ 98,275	\$ 72,185	\$ 61,213	\$ 109,247
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 42,582	\$ 46,011	\$ 28,714	\$ 59,879
Motor Vehicle Highway	54,366	14,594	36,385	32,575
Local Road and Street	1,071	3,413	-	4,484
Law Enforcement Continuing Education	17	-	-	17
Rainy Day	1,573	1,248	-	2,821
Donation - Flower	443	50	-	493
Cumulative Capital Improvement	1,454	803	1,299	958
Cumulative Capital Development	7,741	1,025	-	8,766
Totals	\$ 109,247	\$ 67,144	\$ 66,398	\$ 109,993

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

TOWN OF SPRING LAKE
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, health and social services, 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. 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. Related Party Transactions

During the period in which financial information is presented, the town had material transactions with James Sweetland, husband to Mary Sweetland, President of the Town Council, as a vendor of parts and services in the amount of \$17,005. A large portion of this amount was paid to Mr. Sweetland in 2009 for his work conducted on the Garden Drive Project. Mr. Sweetland received payment in the amount of \$7,423 for his services on that project.

TOWN OF SPRING LAKE
EXAMINATION RESULTS AND COMMENTS

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not presented for examination for January through April 2008, and January through November 2009. The reconcilments that were provided were not complete and, in some instances, incorrect. The reconcilments presented did not always identify all outstanding checks or deposits in transit. Notations were made as to the amount that the reconcilment was out of balance, but no explanation was given for the variance. The reconcilment at December 31, 2008, reflected a cash long of \$170.30. The December 31, 2009, reconcilment revealed a cash shortage of \$147.10.

A similar comment appeared in prior Report B32258.

Depository reconciliations of the fund balances to the bank account balances 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."

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)

CONFLICT OF INTEREST

Mr. James Sweetland, husband of the President of the Town Council, received compensation for work performed for the Town of Spring Lake. A Uniform Conflict of Interest Disclosure Statement was not filed for the period examined and has not been filed for the current year.

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. . . .

TOWN OF SPRING LAKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

(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."

OFFICIAL BOND

The Clerk-Treasurer obtained renewal certificates for her official bonds for the period; however, they were not filed in the Office of the County Recorder. As of July 1, 2009, the minimum bond coverage was increased to \$30,000. No rider was found to support the increase in coverage.

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. . . ."

IC 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

TOWN OF SPRING LAKE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee."

CAPITAL ASSET RECORDS

The Town's capital asset records are not complete. A listing was provided; however, it lacked acquisition values for the shelter house, office equipment, and playground equipment. The Community Building and associated land are listed along with the purchase value, but improvements to the building are not included. The Town's dams and improvements to the dams are not listed.

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 form. 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 SPRING LAKE
EXIT CONFERENCE

The contents of this report were discussed on June 22, 2010, with Claudetta Sue Dennemann, Clerk-Treasurer; and Mary Sweetland, President of the Town Council. The officials concurred with our findings.