

B37376

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

EXAMINATION REPORT
OF
TOWN OF SHIRLEY
HANCOCK AND HENRY COUNTIES, INDIANA
January 1, 2008 to December 31, 2009



FILED
08/17/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Marla J. Kemerly

01-01-08 to 12-31-11

President of the
Town Council

A. Kyle Austin

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHIRLEY, HANCOCK AND HENRY COUNTIES, INDIANA

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

The Schedule of Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

July 19, 2010

TOWN OF SHIRLEY
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, 2008 And 2009

	Cash and Investments			Cash and Investments
	01-01-08	Receipts	Disbursements	
Governmental Funds:				
General	\$ 252,650	\$ 427,876	\$ 397,730	\$ 282,796
Motor Vehicle Highway	131,430	43,397	29,666	145,161
Local Road and Street	55,786	10,405	-	66,191
Law Enforcement Continuing Education	1,197	1,095	2,148	144
Riverboat	25,416	5,056	-	30,472
Rainy Day	15,469	-	-	15,469
Cumulative Capital Improvement	-	2,621	2,621	-
Cumulative Capital Development	33,713	4,749	-	38,462
Levy Excess	4,462	-	4,462	-
Proprietary Funds:				
Water Utility - Operating	10,939	86,380	84,960	12,359
Water Utility - Depreciation	37,743	13,548	5,524	45,767
Water Utility - Customer Deposit	19,353	1,745	1,381	19,717
Water Utility - Debt Reserve	6,400	-	-	6,400
Wastewater Utility - Operating	73,076	184,359	205,344	52,091
Wastewater Utility - Bond and Interest	7,609	-	-	7,609
Wastewater Utility - Depreciation	65,450	11,516	-	76,966
Wastewater Utility - Improvement - Lagoon Maintenance	121,012	11,474	669	131,817
Wastewater Utility - Improvement	44,288	3,594	-	47,882
Wastewater Utility - Debt Service Reserve	141,429	65,012	25,548	180,893
Wastewater Utility - Municipal Debt Service	-	28,435	1,357	27,078
Fiduciary Fund:				
Payroll	14,304	201,293	197,587	18,010
Totals	\$ 1,061,726	\$ 1,102,555	\$ 958,997	\$ 1,205,284

	Cash and Investments			Cash and Investments
	01-01-09	Receipts	Disbursements	
Governmental Funds:				
General	\$ 282,796	\$ 404,598	\$ 491,343	\$ 196,051
Motor Vehicle Highway	145,161	42,618	77,818	109,961
Local Road and Street	66,191	10,062	18,000	58,253
Law Enforcement Continuing Education	144	5,344	1,800	3,688
Riverboat	30,472	5,044	-	35,516
Rainy Day	15,469	2,227	-	17,696
Cumulative Capital Improvement	-	2,471	2,471	-
Cumulative Capital Development	38,462	3,318	4,542	37,238
Canine	-	1,655	-	1,655
Proprietary Funds:				
Water Utility - Operating	12,359	82,198	77,127	17,430
Water Utility - Depreciation	45,767	13,548	3,809	55,506
Water Utility - Customer Deposit	19,717	2,930	1,347	21,300
Water Utility - Debt Reserve	6,400	-	-	6,400
Wastewater Utility - Operating	52,091	162,510	182,287	32,314
Wastewater Utility - Bond and Interest	7,609	-	-	7,609
Wastewater Utility - Depreciation	76,966	7,398	17,975	66,389
Wastewater Utility - Improvement - Lagoon Maintenance	131,817	58,606	62,162	128,261
Wastewater Utility - Improvement Maintenance	47,882	1,636	-	49,518
Wastewater Utility - Debt Service Reserve	180,893	59,177	28,283	211,787
Wastewater Utility - Municipal Debt Service	27,078	-	-	27,078
Fiduciary Fund:				
Payroll	18,010	193,915	202,131	9,794
Totals	\$ 1,205,284	\$ 1,059,255	\$ 1,171,095	\$ 1,093,444

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

TOWN OF SHIRLEY
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, general administrative, water, and wastewater 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).

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 SHIRLEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 For The Year Ended December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

General infrastructure assets (those reported by governmental activities) are included regardless of their acquisition date or amount. The government was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the government constructs or acquires additional capital assets each period, including infrastructure assets, they are reported at historical cost.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Infrastructure	\$ 2,955,790
Buildings	222,190
Improvements other than buildings	135,000
Machinery and equipment	1,240,582
Construction in progress	<u>-</u>
Total governmental activities, capital assets not being depreciated	<u>\$ 4,553,562</u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Infrastructure	\$ 1,601,372
Machinery and equipment	<u>31,897</u>
Total Water Utility capital assets	<u>1,633,269</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	20,000
Infrastructure	1,807,076
Buildings	70,000
Machinery and equipment	<u>86,253</u>
Total Wastewater Utility capital assets	<u>1,983,329</u>
Total business-type activities capital assets	<u>\$ 3,616,597</u>

TOWN OF SHIRLEY
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2009

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:		
Police Vehicle-Tahoe	\$ 18,613	\$ 7,082
Fire Truck	<u>43,465</u>	<u>12,435</u>
Total governmental activities debt	<u>\$ 62,078</u>	<u>\$ 19,517</u>
Business-type activities:		
Wastewater Utility:		
State Revolving Loan:		
Sewer Interceptor and Lift Station	<u>\$ 278,525</u>	<u>\$ 29,000</u>
Total Wastewater Utility	<u>278,525</u>	<u>29,000</u>
Total business-type activities debt	<u>\$ 278,525</u>	<u>\$ 29,000</u>

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Many deficiencies were noted relating to recordkeeping during the course of our examination.

The Town's records were not always kept up to date and contained errors. Errors noted included: failing to post some checks to the ledger, some electronic fund transfers (EFTs) not being posted, and some voided checks not shown as voided on the ledgers. Some payroll deposits not posted timely. The ledgers were not always footed correctly which caused the financials to be incorrect.

The general and payroll bank accounts were not reconciled to the bank balances. The Town's ledger balances exceeded the reconciled bank balances. The total amount of the cash necessary to balance was \$10,145.22 as of December 31, 2009.

The utility ledger in many instances had 2 beginning and ending balances. These errors resulted in the utility activity reported on the annual report to be incorrect.

Some state and local distributions were not posted into the proper fund.

The unit had prenumbered checks but the Clerk-Treasurer was not using the checks in sequence.

The activity reported on the Town's Annual Report did not agree to the Town's ledgers due to the reasons presented above.

- (1) Record balances were not reconciled to depository balances during the two year period.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, interest not posted, and nonsufficient funds checks incorrectly posted.

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)

GURANTEE DEPOSIT REGISTER

The Guarantee Deposit Register was not in balance with the Utility Meter Deposit Fund's cash balance as of December 31, 2008 and December 31, 2009. Similar comments have appeared in several prior reports, most previously Report B33556.

At all times, the manual and 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)

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Clerk-Treasurer
Utility Clerk
Town Marshal
Deputy Town Marshal

Continuation certificates have been received since the original bond purchase in 2001. New bonds were purchased after the examination period in 2010.

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. . . ."

INVESTMENT REGISTER

As stated in prior Reports B28044 and B33556, the Investment Register (General Form 350) was not maintained.

The Investment Register, General Form 350, shall be used for keeping a record or inventory of all investments purchased. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BOARD MINUTES

The Board does not organize at the beginning of each year. The actions of the Board were not always clear. The second page of two Board meeting minutes was missing.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

ERRORS ON ACCOUNTS PAYABLE VOUCHERS

The following deficiencies were noted on the accounts payable vouchers during the examination period:

1. Not all accounts payable vouchers were approved by the Town Council or Clerk-Treasurer. The vouchers were not approved individually and were not listed on the Accounts Payable Voucher Register for a combined approval of claims.
2. Not all accounts payable vouchers were accompanied by adequate supporting documentation. One payment was supported by a statement and did not have an invoice which detailed the purchases. Two payments were not supported by any information at all.
3. The Accounts Payable Voucher were not being used correctly:
 - a. The form was not being filled out completely
 - b. The unit is not verifying receipt of materials 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."

"(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;
- (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."

CONFLICT OF INTEREST

Some of the Town officials and employees did not follow the procedures for completing and filing a Uniform Conflict of Interest Disclosure Statement. This must be done in instances where "annual" or "single transaction" occurs.

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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."

OLD OUTSTANDING CHECKS (WARRANTS)

Our review of the bank reconciliation as of December 31, 2009, indicated that some checks remained outstanding for more than two years. A similar comment appeared in prior Report B33556.

IC 5-11-10.5-2 states in part: "All warrants or checks drawn upon public funds of a political subdivision that are outstanding and unpaid for a period of two (2) or more years as of the last day of December of each year are void."

IC 5-11-10.5-3 states in part: "Not later than March 1 of each year, the treasurer of each political subdivision shall prepare or cause to be prepared a list in triplicate of all warrants or checks that have been outstanding for a period of two (2) or more years as of December 31 of the preceding year. The original copy of each list shall be filed with the board of finance of the political subdivision or the fiscal body of a city or town. The duplicate copy shall be transmitted to the disbursing officer of the political subdivision. The triplicate copy of each list shall be filed in the office of the treasurer of the political subdivision. If the treasurer serves also as the disbursing officer of the political subdivision, only two (2) copies of each list need be prepared or caused to be prepared by the treasurer."

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-10.5-5 states:

"(a) Upon the preparation and transmission of the copies of the list of the outstanding warrants or checks, the treasurer of the political subdivision shall enter the amounts so listed as a receipt into the fund or funds from which they were originally drawn and shall also remove the warrants or checks from the record of outstanding warrants or checks.

(b) If the disbursing officer does not serve also as treasurer of the political subdivision, the disbursing officer shall also enter the amounts so listed as a receipt into the fund or funds from which the warrants or checks were originally drawn. If the fund from which the warrant or check was originally drawn is not in existence, or cannot be ascertained, the amount of the outstanding warrant or check shall be receipted into the general fund of the political subdivision."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not completed timely. Bank reconciliations should have been completed monthly but the reconciliations were not available at the start of the examination.

Some errors were noted in the reconciliations. As of December 31, 2009, the general and payroll accounts were not reconciled to the bank balances. The general account record balance exceeded the bank balance by \$9,742.50 and the payroll account exceeded the bank balance by \$402.72. These amounts were considered cash necessary to balance.

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)

TIMELY RECORDKEEPING

Several payroll and fund ledger records were not completed on a timely basis. At the beginning of the examination many of the 2008 and 2009 records need for examination were incomplete. As of June 2010, the monthly reconciliations for 2010 were not completed.

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

PUBLIC WORKS PROJECT

The Town Council minutes were not always clear as to whether a contract was awarded. The bids or quotes are sometimes opened by a company and then a recommendation was made to the Council. Some of the bid or quote packages were incomplete.

IC 36-1-12-4(a) states in part: "This section applies whenever the cost of a public work project will be: (1) at least seventy-five thousand dollars (\$75,000) in: (A) a consolidated city or second class city; or (2) at least fifty thousand dollars (\$50,000) in a political subdivision or an agency not described in subdivision (1)."

IC 36-1-12-4(b) states in part: "The board must comply with the following procedure: (1) The board shall prepare general plans and specifications describing the kind of public work required, but shall avoid specifications which might unduly limit competition. . . . (2) The board shall file the plans and specifications in a place reasonably accessible to the public, which shall be specified in the notice required by subdivision (3). (3) Upon the filing of the plans and specifications, the board shall publish notice in accordance with IC 5-3-1 calling for sealed proposals for the public work needed"

MISREPORTING OF WITHHOLDINGS

The Form W-2 (Wage and Tax Statement) for 2009 contained erroneous reporting of tax withholdings for one employee. The employee's Medicare withholdings were reported on his W-2 as \$335.63 less than was actually withheld. The remittance and reporting to state and federal agencies of the employee withholdings on monthly or quarterly basis reflected the actual withholdings.

The errors on the Form W-2 extended to the 2009 Form W-3 (Transmittal of Wage and Tax Statements). The information on the Form W-3 was compared to actual payments of withholdings. The comparison indicated the Town had overpaid the withholdings, but the Town had not. A similar comment appeared in Report B33556.

Political subdivisions are required to comply with all grant agreements, rules, regulations, bulletins, directives, letters, letter rulings, and filing requirements concerning reports and other procedural matters of federal and state agencies, including opinions of the Attorney General of the State of Indiana, and court decisions. Governmental units should file accurate reports required by federal and state agencies. Noncompliance may require corrective action. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT AND CERTIFIED REPORT OF NAMES,
ADDRESSES, DUTIES AND COMPENSATION OF PUBLIC EMPLOYEES

The 2008 annual report was not filed with the Indiana State Board of Accounts. Additionally, the Certified Report of Names, Addresses, Duties and Compensation of Public Employees (General Form No. 100R) was not filed for 2008 and 2009. A similar comment appeared in prior Report B33556.

IC 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town"

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official, elective or appointive, who is the head of or in charge of any office, department, board, or commission of the state or of any county, city, town, or township, and every state, county, city, town, or township employee. . . , shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents in their respective offices, departments, boards, commissions, and institutions, and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts. However, no more than one (1) report covering the same officers, employees, and agents need be made from the state or any county, city, town, township, or school unit in any one year."

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$72.21 were paid to the Indiana Department of Revenue and Internal Revenue Service due to late payments in 2008 for income tax withholdings remittance.

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)

DELINQUENT ACCOUNTS RECEIVABLE

Several current utility customers have incurred large balances and continue to receive water and wastewater services. We noted that one councilman had accumulated an unpaid balance of \$474.52 at May 2010. This balance has increased since the prior examination. The practice for timely payments and shutting off customers for nonpayment has not been enforced consistently to all customers. A similar comment appeared in prior Report B33556.

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)

TOWN OF SHIRLEY
EXAMINATION RESULTS AND COMMENTS
(Continued)

WATER AND WASTEWATER CUSTOMER COLLECTION POLICY

We were unable to find a written policy concerning collection procedures for delinquent accounts receivable. Because there is no written policy we were unable to determine if customers were being treated equitably. A similar comment has appeared in the last two examination reports, most recently B33556.

The governing board over a water, gas, or electric utility should adopt written policies dealing with unclaimed meter deposits, bad debts, due dates, write-offs, NSF checks, etc. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RECEIPT ISSUANCE

In some instances receipts were not issued in consecutive numerical order. We noted that either several pages of receipts were being used or receipts were not completed prior to deposit date.

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)

TOWN OF SHIRLEY
EXIT CONFERENCE

The contents of this report were discussed on July 19, 2010, with Marla Kemerly, Clerk-Treasurer; and A. Kyle Austin, President of the Town Board. The official response has been made a part of this report and may be found on pages 17 through 20.

**OFFICE OF CLERK TREASURER
TOWN OF SHIRLEY
409 MAIN ST.
PO BOX 90
SHIRLEY, IN 47384**

JULY 29, 2010

**STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, IN
46204-2765**

To Whom it concerns

This is the official response to the audit results and comments.

GUARANTEE DEPOSIT REGISTER

This matter was discussed with the field examiner and after her careful explanation of what the utility clerk needed to do, this matter has been addressed and will soon be rectified.

OFFICIAL BONDS

This matter too was resolved before the completion of the audit. Clerk and field examiner discussed the situation with the current insurance representative and it was discovered that copies of the bonds not official bonds had been sent to the recorders/auditor office. New bonds were issued for all required officials and were Filed properly before the audit was completed.

INVESTMENT REGISTER

This matter too was confusing as to maintenance as the town currently has only four Certificates of Deposits and clerk was unsure what was required. This too has been addressed and corrections made.

BOARD MINUTES

The clerk is currently in the process of making improvements to files, records etc and with part time help minutes were also a part of the clearing/cleaning process. Several copies of minutes were among items that had been misplaced and when retrieving them for the field examiner pages were omitted. Care of this issue has also been completed. Also the issue of organization of council each year will be addressed by council president.

ERRORS ON ACCOUNTS PAYABLE VOUCHERS

The matters involved with this issue was one where the clerk and council president thought that the practice of handling the claims was correct or acceptable. Steps will

To insure that the vouchers are processed correctly. The other issues will also be resolved and corrected

CONFLICT OF INTEREST

This matter was resolved before the audit was completed

OLD OUTSTANDING CHECKS AND WARRANTS

These too have been voided and re entered into the proper funds. This had been done before the audit began at the beginning of 2010.

BANK ACCOUNT RECONCILIATIONS

Due to many personal matters and time away from the office the clerk was dilatory in getting reconciliations made regularly. This matter too has been corrected and records are once again being done in a timely manner. I do accept responsibility for this matter, but there are times when I had to give my time to caring for and assisting with very serious family issues due to illnesses and deaths. My apologies to the town and thanks for the understanding when I had to be out, and to SBOA for the extra time it takes to review these.

This also applies to the record keeping and condition of records. Though there were issues such as was addressed, I did make every effort to see that deposits were made, claims paid and that all monies are accounted for. I have been in the process of re organizing all records and updating all ledges etc to bring all into compliance.

PUBLIC WORKS PROJECTS

This was addressed with the council president and with clarity every effort will be made to see that future projects meet requirements.

UTILITY MATTERS

These were addressed with the council president and the council will make every effort to see to the corrections of these matters and once again review the collections policy.

ANNUAL REPORTS

Clerk competed the 2008 annual report and mailed a paper copy, that was not received by SBOA. The 2009 report was done electronically with much difficulty as the software was not compatible and after many attempts clerk contacted SBOA and the report was finally transmitted and noted. Clerk believed she had mailed the 100R, but accepts responsibility and will see that the matter is resolved.

PENALTIES

Though a somewhat small penalty was paid to IRS, the clerk did finally resolve a with the IRS dating to 2006 for which a refund of \$941 was received for fines, penalties that were incorrectly charged to the town and after three years with much communication and persistence the matter was finally put to rest with monies returned to the town.

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With many changes in personnel and problems with funds and economy I fully realize that it is even more important that each of those of us elected to care for the finances, policies, improvements, control and custody of records and files, providing the best services and being responsible to those each serve need to do all to provide such. It is our hope as such officials that those qualities will be seen in future audits.

Respectfully submitted



**MARLA J. KEMERLY
CLERK TREASURER
TOWN OF SHIRLEY**

**Clarity and explanation to reconcile and balance General Fund and Payroll Fund
To reconcile with bank.**

On December 31, 2009 payroll checks were issued to employees as the current practice is paying employees on Thursday, which was December 31st. However the pay was the first pay for the year 2010. Since it was a holiday and the clerk was out for such, when checks were typed this was not caught until the following week when checks again were being prepared. The clerk was delinquent in getting the last two deposits for the year made. The checks posted to the 2009 statement with the deposits posting to the 2010 statement. Clerk not sure how to resolve just assumed that the matter reconciled itself at the end of January 2010

The amount in question was

**Payroll fund overage-----\$402.72
General fund-----\$9742.50**

**-----
\$10145.22**

**Upon review and many hours of searching and reconciling the clerk
Discovered a payroll check not posted and other that had been double posted**

Money in question \$10145.22

**Deposits 2574.19-
 3760.39-
 3760.39-**

**-----
Bal 50.02 on money in question**

**Check not posted to general fund \$50.00-
Check not posted to payroll fund \$406.20-**

**Checks double posted \$591.61
 963.28
 637.35**

**General fund 2192.24
Corrected post amt diff payroll 240.22**

**Unidentified amount 115.73
To reconcile both accounts**