

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

EXAMINATION REPORT
OF
TOWN OF SHERIDAN
HAMILTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
08/18/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Elizabeth A. Walden	01-01-08 to 12-31-11
President of the Town Council	Connie J. Pearson	01-01-08 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SHERIDAN, HAMILTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Sheridan (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 Long-Term Debt, as listed in the Table of Contents, is presented for additional analysis and is not a required part of the basic financial information. It has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on it.

STATE BOARD OF ACCOUNTS

July 6, 2010

TOWN OF SHERIDAN
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		Cash and	
	Investments	Receipts	Disbursements	Investments
	01-01-08			12-31-08
Governmental Funds:				
General	\$ 313,611	\$ 1,600,044	\$ 1,637,293	\$ 276,362
Motor Vehicle Highway	1,148	285,129	284,128	2,149
Local Road and Street	11,521	35,911	20,230	27,202
Law Enforcement Continuing Education	11,565	4,334	1,261	14,638
Police Reserve Donation	1,138	-	1,138	-
EMS Equipment and Replacement	231,383	39,500	-	270,883
EMT and Fire Training	45,509	21,375	10,125	56,759
Ambulance Donation	15,808	-	-	15,808
Sheridan Revitalization	6,233	-	-	6,233
Disaster Relief	323	-	-	323
Destination Tourism	-	59,054	59,054	-
Fire Building and Accessories Donation	127	-	-	127
Police Vehicle Donation	327	-	327	-
Build Indiana Grant - Town	10,833	-	5,431	5,402
Build Indiana Grant - Military Park	55	-	-	55
Brownsfield Grant	630	-	-	630
St V's Micro Mental Health Donation	871	-	-	871
Biddle Park Equipment and Improvement	6,363	9,625	10,472	5,516
Community Center Donation	500	-	-	500
Harvest Moon Festival	2,841	9,975	12,802	14
Hamilton County Destination Grant - Matching	6,071	500	6,571	-
Equipment Lease	6,606	69,942	56,819	19,729
Police Canine Donation	3,145	-	3,145	-
Drug and Narcotic Enforcement	11,114	13,757	4,246	20,625
Fire Department Donation	53,322	75	723	52,674
Tax Increment Finance	559	54,847	54,735	671
Sesquicentennial 2010	-	500	-	500
Rainy Day	-	14,190	-	14,190
Riverboat	15,891	15,808	-	31,699
Fire Truck Lease	92	446	-	538
Stormwater Bond and Redemption	14,230	116,503	169,518	(38,785)
Cumulative Capital Improvement	16,297	8,195	15,000	9,492
Cumulative Building and Fire Fighting Equipment	73,147	12,600	15,000	70,747
Cumulative Capital Development	107,011	18,950	31,802	94,159
Alomng Road	-	413,000	363,577	49,423
Plan Review	874	2,790	3,244	420
Construction Inspection	921	18,775	14,468	5,228
Proprietary Funds:				
Water Utility - Operating	439,055	981,012	1,122,468	297,599
Water Utility - Bond and Interest	20,238	169,556	166,090	23,704
Water Utility - Reserve	106,998	1,091	2,359	105,730
Water Utility - Construction	7,440	86	6,391	1,135
Wastewater Utility - Operating	346,478	2,082,865	1,314,966	1,114,377
Wastewater Utility - Bond and Interest	58,016	329,624	326,245	61,395
Wastewater Utility - Reserve	281,114	10,820	4,204	287,730
Wastewater Utility - Construction	848,562	2,322,737	3,171,299	-
Water and Wastewater Escrow	161,698	7,016	113,776	54,938
Fiduciary Funds:				
Trust Funds:				
Biddle Park Equipment and Improvement	735	33,262	29,923	4,074
Fire Truck Donation	212	-	-	212
Children's Christmas Donation	1,869	1,078	747	2,200
Deferred Compensation	388,425	166,007	261,541	292,891
Payroll	2,165	1,402,108	1,405,666	(1,393)
Totals	\$ 3,633,071	\$ 10,333,087	\$ 10,706,784	\$ 3,259,374

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

TOWN OF SHERIDAN
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
(Continued)

	Cash and Investments			Cash and Investments
	01-01-09	Receipts	Disbursements	
Governmental Funds:				
General	\$ 276,362	\$ 1,631,061	\$ 1,644,756	\$ 262,667
Motor Vehicle Highway	2,149	343,322	253,421	92,050
Local Road and Street	27,202	34,550	29,160	32,592
Law Enforcement Continuing Education	14,638	5,223	658	19,203
Police Reserve Donation	-	-	-	-
EMS Equipment and Replacement	270,883	34,020	-	304,903
EMT and Fire Training	56,759	24,930	3,564	78,125
Ambulance Donation	15,808	-	-	15,808
Sheridan Revitalization	6,233	-	100	6,133
Disaster Relief	323	-	-	323
Destination Tourism	-	-	-	-
Fire Building and Accessories Donation	127	-	-	127
Police Vehicle Donation	-	-	-	-
Build Indiana Grant - Town	5,402	-	-	5,402
Build Indiana Grant - Military Park	55	-	-	55
Brownsfield Grant	630	-	-	630
St V's Micro Mental Health Donation	871	-	-	871
Biddle Park Equipment and Improvement	5,516	14,577	17,443	2,650
Community Center Donation	500	-	-	500
Harvest Moon Festival	14	11,053	11,055	12
Hamilton County Destination Grant - Matching	-	-	-	-
Grant Admin Community Cultural Center	-	5,000	2,500	2,500
HCCVB 8 Great Towns	-	15,000	8,432	6,568
Industrial Park 2004 Expansion	-	709	544	165
Equipment Lease	19,729	64,132	56,819	27,042
Police Donation	-	125	-	125
Drug and Narcotic Enforcement	20,625	32,383	30,253	22,755
Main Street Project	-	8,750	8,750	-
Fire Department Donation	52,674	900	7,120	46,454
Tax Increment Finance	671	75,183	48,980	26,874
TIF - State Road 47/Mule Barn Road	-	603	388	215
TIF - Webster/Sheridan	-	399	399	-
Sesquicentennial 2010	500	10,213	7,826	2,887
Rainy Day	14,190	76,867	-	91,057
Riverboat	31,699	15,770	-	47,469
Fire Truck Lease	538	-	-	538
Stormwater Bond and Redemption	(38,785)	177,530	84,940	53,805
Cumulative Capital Improvement	9,492	7,727	154	17,065
Cumulative Building and Fire Fighting Equipment	70,747	10,672	19,632	61,787
Cumulative Capital Development	94,159	16,048	22,372	87,835
Lamong Road	49,423	96,101	51,849	93,675
Plan Review	420	2,931	1,494	1,857
Construction Inspection	5,228	11,521	16,749	-
Proprietary Funds:				
Water Utility - Operating	297,599	738,423	823,462	212,560
Water Utility - Bond and Interest	23,704	183,354	163,960	43,098
Water Utility - Reserve	105,730	316	401	105,645
Water Utility - Construction	1,135	18	-	1,153
Wastewater Utility - Operating	1,114,377	830,310	1,042,313	902,374
Wastewater Utility - Bond and Interest	61,395	294,913	310,562	45,746
Wastewater Utility - Reserve	287,730	8,212	3,760	292,182
Water and Wastewater Escrow	54,938	844	-	55,782
Fiduciary Funds:				
Trust Funds:				
Biddle Park Equipment and Improvement	4,074	37,695	36,040	5,729
Fire Truck Donation	212	-	-	212
Children's Christmas Donation	2,200	645	640	2,205
Deferred Compensation	292,891	80,412	26,211	347,092
Payroll	(1,393)	1,507,376	1,505,835	148
Totals	\$ 3,259,374	\$ 6,409,818	\$ 6,242,542	\$ 3,426,650

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

TOWN OF SHERIDAN
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. Subsequent Event

On May 17, 2010, the Town of Sheridan entered into a lease agreement with PNC for Street Lights in the amount of \$169,835.

TOWN OF SHERIDAN
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:		
Telephone Equipment Lease	\$ 3,674	\$ 3,832
(4) 2007 Dodge Durangos & Street Sweeper	107,694	56,819
2007 Dodge Ram Fire Dept. Vehicle Lease	7,601	5,996
2007 Dodge Durango Police Vehicle Lease	3,867	9,327
Interlocal Agreement Payable		
Bonds payable:		
General obligation bonds:		
Storm Water Management Bond of 2001	725,000	86,865
Along Road Ext Project	<u>378,000</u>	<u>91,098</u>
Total governmental activities debt	<u>\$ 1,225,836</u>	<u>\$ 253,937</u>
Business-type activities:		
Water Utility:		
Waterworks Bond Anticipation Notes	\$ 1,960,000	\$ 73,480
Revenue bonds:		
Waterworks Refunding Bonds of 2002	605,000	77,905
Waterworks Revenue Bonds of 2000	<u>105,000</u>	<u>15,355</u>
Total Water Utility	<u>2,670,000</u>	<u>166,740</u>
Wastewater Utility:		
Capital leases:		
WW 2007 JD Tractor Loader Equip.	5,063	5,210
Sewage Works Bond Anticipation Notes	2,070,000	77,604
Revenue bonds:		
Sewage Works Refunding Bonds of 2001	955,000	116,250
Sewage Works Revenue Bonds of 1997	<u>305,000</u>	<u>47,525</u>
Total Wastewater Utility	<u>3,335,063</u>	<u>246,589</u>
Total business-type activities debt	<u>\$ 6,005,063</u>	<u>\$ 413,329</u>

TOWN OF SHERIDAN
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Deferred Compensation Fund. The unit's annual reports for both years did not provide any information to audit or establish beginning balances, receipts, disbursements, or ending balances for the examination period.

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)

CAPITAL ASSET RECORDS

The Town and Utilities have not maintained sufficient detailed records of capital assets since December 31, 2007. Deletions or disposals and additions of capital assets are not being recorded.

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

ERRORS ON CLAIMS

Some claims were not approved by the Board or certified by the Clerk-Treasurer. It appeared there were some Accounts Payable Voucher Registers missing or not presented for examination.

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."

TOWN OF SHERIDAN
EXAMINATION RESULTS AND COMMENTS
(Continued)

"(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; and
- (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."

INTERNAL CONTROLS - RECEIPTS AND DISBURSEMENTS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient: Employees are not posting receipts and disbursements in a timely fashion. Transactions are being entered and left in "edit" mode until the prior month transactions reconcile. This allows the employees to correct or adjust entries made into the computer system without voiding the original entry. In "edit" mode, a new transaction number is not created for corrections that are made to the original entry.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Stormwater Fund and Payroll Fund were overdrawn \$38,785 and \$1,392, respectively, as of December 31, 2008.

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)

TOWN OF SHERIDAN
EXIT CONFERENCE

The contents of this report were discussed on July 6, 2010, with Elizabeth A. Walden, Clerk-Treasurer, and Connie J. Pearson, President of the Town Council. The official response has been made a part of this report and may be found on pages 11 and 12.

Town of Sheridan

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Sheridan, Indiana 46069
(317) 758-5293
Fax: (317) 758-2505

July 8, 2010

State Board of Accounts
302 West Washington Street, Room E 418
Indianapolis, IN 46204-2765

Re: **"OFFICIAL RESPONSE"**

To State Board of Accounts:

This is the Town of Sheridan's **"OFFICIAL RESPONSE"** to the audit findings for the years of 2008 & 2009.

CONDITION OF RECORDS: The financial statements were provided at the time of the audit for the Deferred Compensation Fund for each individuals account. An excel spread sheet was also provided listing each individuals account along with the accumulative account balance.

The excel spreadsheet is updated and balanced quarterly to the statements. The Deferred Compensation Fund has not been included on prior annual reports. Therefore, the Deferred Compensation Fund balance was not included on the 2008 & 2009 annual reports as the funds are held by a third party. No money was found to be missing.

The clerk treasurer will be sure to reflect the Deferred Compensation Fund balance on the annual report in the future.

CAPITAL ASSET RECORDS: The clerk treasurer will work to get the Town and Utilities capital asset records updated.

ERRORS ON CLAIMS: The Accounts Payable Voucher Registers would have been printed in order to know the account numbers that would need to go on the general checks and the voucher number to be put on the claim. Two Accounts Payable Voucher Registers could not be found that contained the council's signatures. However, it is in the minutes of the meeting that the council approved the two Accounts Payable Voucher Registers in question..

INTERNAL CONTROLS – RECEIPTS AND DISBURSEMENTS: The Clerk's Office has been informed of the importance of posting receipts and disbursements in a

timely fashion and not leaving information in "edit" mode until the prior month transactions are reconciled. No money was found to be missing.

OVERDRAWN FUND BALANCES: The Stormwater Fund was showing overdrawn at the end of 2008. This was an error in the wrong fund number being entered. The error was caught and corrected on January 8, 2009. No money was found to be missing.

The Payroll Fund was showing overdrawn at the end of 2008. This was due to the employee insurance being paid in December 2008 that should not have been paid until January 2, 2009. No money was found to be missing

Sincerely,

A handwritten signature in cursive script that reads "Elizabeth A. Walden".

Elizabeth A. Walden
Clerk Treasurer