

B37604

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

EXAMINATION REPORT  
OF  
TOWN OF CLARKSVILLE  
CLARK COUNTY, INDIANA  
January 1, 2007 to December 31, 2008



**FILED**  
09/30/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Gary P. Hall	01-01-04 to 12-31-11
President of the Town Council	Paul L. Kraft Gregory L. Isgrigg	01-01-07 to 12-31-08 01-01-09 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 CLARKSVILLE, CLARK COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Clarksville (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 December 31, 2008, 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. This schedule has not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on the schedule.

STATE BOARD OF ACCOUNTS

August 30, 2010

TOWN OF CLARKSVILLE  
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	\$ 973,903	\$ 7,225,402	\$ 8,017,538	\$ 181,767
Motor Vehicle Highway	1,085,116	982,718	915,801	1,152,033
Local Road and Street	1,115,478	221,221	227,729	1,108,970
Park and Recreation	427,995	1,664,734	1,885,481	207,248
Park Construction	-	5,211,561	893,332	4,318,229
Park Debt Reserve	-	452,246	-	452,246
Rainy Day	-	2,915,336	2,572,900	342,436
Firefighting	224,051	3,136,280	3,273,022	87,309
Economic Development	3,396	-	161	3,235
Supplemental Adult Probation Services	42,382	85,770	88,665	39,487
Interpretive Center Revenue	-	364,000	182,000	182,000
Law Enforcement Continuing Education	54,754	22,329	18,894	58,189
Clerk's Record Perpetuation	2,305	1,362	-	3,667
Donation	122,495	27,158	38,564	111,089
Redevelopment District General	29,437	22,882	46,183	6,136
Unsafe Building	71,748	-	1,220	70,528
Towed Vehicle Nonreverting	16,752	22,820	26,601	12,971
Controlled Substance	2,481	-	-	2,481
User Fee	57,662	9,744	7,222	60,184
Tourism Revenue Bond of 2002	113,367	-	-	113,367
Park District Bond and Interest	1	207,949	207,920	30
Cumulative Capital Improvement	1,193,870	75,165	-	1,269,035
Cumulative Capital Development	1,213,270	128,103	198,470	1,142,903
Cumulative Building and Firefighting Equipment	314,589	81,927	-	396,516
Clarksville Jeffersonville HAZMAT	53,525	-	-	53,525
County Economic Development Income Tax	2,025,790	1,011,051	715,904	2,320,937
Redevelopment Commission (TIF)	2,701,151	1,347,262	3,033,633	1,014,780
Federal/State Grant	13,088	-	4,309	8,779
State Grant Court Equipment	-	19,865	19,865	-
Hometown Forestry Grant	1,146	-	-	1,146
Nonreverting Senior Grant	11,779	36,239	30,505	17,513
Nonreverting Clean up Fee	5,615	2,000	-	7,615
Lewis and Clark Parkway Construction Maintenance	16,782	-	16,782	-
Proprietary Funds:				
Wastewater Utility Operating Fund	2,142,702	3,425,164	3,467,623	2,100,243
Wastewater Utility Bond and Interest Fund	569,976	1,044,747	752,712	862,011
Storm Water Utility Operating	914,375	1,012,117	503,516	1,422,976
Self-Insurance Fund	2,922,887	3,056,616	2,136,776	3,842,727
Municipal Center Refueling Station	9,156	154,717	153,028	10,845
Fiduciary Funds:				
Payroll	100	8,421,336	8,420,337	1,099
Police Pension	413,671	389,616	340,379	462,908
Firefighters Pension	554,292	670,530	776,945	447,877
URM/DDC Disbursement Control Flexible Spending	618	1,933	1,653	898
Nonreverting Parks Refunds	530	11,000	10,760	770
Retainage	1,525	52,600	52,600	1,525
Court Costs Due County	-	12,576	12,576	-
Town Court	73,561	304,300	304,046	73,815
Totals	<u>\$ 19,497,321</u>	<u>\$ 43,832,376</u>	<u>\$ 39,355,652</u>	<u>\$ 23,974,045</u>

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

TOWN OF CLARKSVILLE  
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  
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 181,767	\$ 10,424,189	\$ 9,239,549	\$ 1,366,407
Motor Vehicle Highway	1,152,033	616,212	942,540	825,705
Local Road and Street	1,108,970	217,836	86,041	1,240,765
Park and Recreation	207,248	2,189,447	1,942,787	453,908
Park Construction	4,318,229	100,739	4,338,291	80,677
Park Debt Reserve	452,246	10,255	-	462,501
Rainy Day	342,436	3,163,729	1,371,781	2,134,384
Firefighting	87,309	4,921,168	5,004,157	4,320
Economic Development	3,235	-	784	2,451
Supplemental Adult Probation Services	39,487	66,520	100,868	5,139
Interpretive Center Revenue	182,000	182,000	182,000	182,000
Law Enforcement Continuing Education	58,189	24,016	27,580	54,625
Clerk's Record Perpetuation	3,667	1,260	-	4,927
Donation	111,089	104,079	15,698	199,470
Redevelopment District General	6,136	23,380	3,100	26,416
Unsafe Building	70,528	245	5,695	65,078
Towed Vehicle Nonreverting	12,971	21,770	3,313	31,428
Controlled Substance	2,481	64	-	2,545
User Fee	60,184	8,148	35,343	32,989
Tourism Revenue Bonds of 2002 and 2008	113,367	200,000	7,229	306,138
Park District Bond and Interest	30	311,157	310,470	717
Cumulative Capital Improvement	1,269,035	69,594	-	1,338,629
Cumulative Capital Development	1,142,903	282,913	217,867	1,207,949
Cumulative Building and Firefighting Equipment	396,516	232,034	470,146	158,404
Clarksville Jeffersonville HAZMAT	53,525	-	-	53,525
Redevelopment Bond Project - Eastern Blvd	-	2,970,673	318,321	2,652,352
County Economic Development Income Tax	2,320,937	1,069,643	779,091	2,611,489
Redevelopment Commission (TIF)	1,014,780	10,994,044	4,252,320	7,756,504
Federal/State Grant	8,779	-	-	8,779
Criminal Justice Grant	-	10,914	-	10,914
Hometown Forestry Grant	1,146	-	-	1,146
State DNR Levee Trail Grant	-	900,000	13,016	886,984
Nonreverting Senior Trip Fee	17,513	118,917	119,683	16,747
Nonreverting Clean up Fee	7,615	1,999	-	9,614
Proprietary Funds:				
Wastewater Utility Operating Fund	2,100,243	3,468,640	3,287,532	2,281,351
Wastewater Utility Bond and Interest Fund	862,011	965,238	1,267,408	559,841
Storm Water Utility Operating	1,422,976	1,044,959	1,016,402	1,451,533
Self-Insurance Fund	3,842,727	3,012,651	2,365,386	4,489,992
Municipal Center Refueling Station	10,845	214,720	189,214	36,351
Fiduciary Funds:				
Payroll	1,099	8,777,086	8,778,002	183
Police Pension	462,908	214,705	415,297	262,317
Firefighters Pension	447,877	655,976	807,099	296,754
URM/DDC Disbursement Control Flexible Spending	898	1,950	2,349	499
Nonreverting Parks Refunds	770	9,250	9,338	682
Retainage	1,525	20,000	1,525	20,000
Court Costs Due County	-	11,340	11,340	-
Town Court	73,815	266,820	264,940	75,695
Totals	<u>\$ 23,974,045</u>	<u>\$ 57,900,280</u>	<u>\$ 48,203,501</u>	<u>\$ 33,670,824</u>

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

TOWN OF CLARKSVILLE  
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, culture and recreation, public improvements, planning and zoning, economic development, general administrative services, 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). 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 CLARKSVILLE  
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.

1925 Police Officers' Pension Plan

Plan Description

The Town contributes to the 1925 Police Officers' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

Beginning in the year 2009, the 1925 Police Officers' Pension Plan was funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

TOWN OF CLARKSVILLE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

1937 Firefighters' Pension Plan

Plan Description

The Town contributes to the 1937 Firefighters' Pension Plan, which is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-7). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy and Annual Pension Cost

The contribution requirements of plan members for the 1937 Firefighters' Pension Plan are established by state statute.

Beginning in the year 2009, the 1937 Firefighters' Pension Plan was funded by the State of Indiana through the Public Employees' Retirement Fund as provided under IC 5-10.3-11.

1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The Town contributes to the 1977 Police Officers' and Firefighters' Pension and Disability Fund, a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting and requirements for contributions by employers and by employees. Covered employees may retire at age 55 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 55. The plan also provides for death and disability benefits.

PERF 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 Costs

Plan members are required to contribute 6% of the first-class police officers' and firefighters' salary and the Town is to contribute at an actuarially determined rate. The current rate, which has not changed since the inception of the plan, is 21% of the first-class police officers' and firefighters' salary. The contribution requirements of plan members and the Town are established by the Board of Trustees of PERF.

TOWN OF CLARKSVILLE  
NOTES TO FINANCIAL INFORMATION  
(Continued)

Note 7. Subsequent Events

On January 5, 2009, a contract was awarded to Mac Construction for the Applegate Lane sanitary sewer project for \$468,737.50. This project is being paid from current Wastewater Utility funds.

Sewage works refunding revenue bonds were issued May 14, 2009, for \$4,570,000 to defease currently outstanding bonds of 1999 and 2001.

TOWN OF CLARKSVILLE  
 SUPPLEMENTARY INFORMATION  
 SCHEDULE OF LONG-TERM DEBT  
 December 31, 2008

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:		
Municipal center	\$ 3,790,000	\$ 853,521
Golf course improvements - pro shop/maintenance center	1,520,000	171,000
Lewis and Clark Parkway improvements	5,835,000	579,000
Two sanitation packers	112,713	120,086
Fire truck	534,218	117,984
Recreation golf carts	54,380	39,806
Notes and loans payable:		
State infrastructure loan for Veteran's Parkway	2,965,677	240,661
Bonds payable:		
General obligation bonds:		
Aquatic center and tennis courts	195,000	207,870
Revenue bonds:		
Tourism 2002 (Lewis and Clark Plaza project)	253,215	72,794
Tourism 2008	200,000	26,959
Eastern Boulevard	3,000,000	387,462
Parks improvements and equipment	5,220,000	403,678
<b>Total governmental activities debt</b>	<b><u>\$ 23,680,203</u></b>	<b><u>\$ 3,220,821</u></b>
Business-type activities:		
Wastewater Utility:		
Revenue bonds:		
1999 Sewage works refunding bonds	\$ 870,000	\$ 142,668
2001 Sewage works refunding bonds	3,790,000	286,065
2005 Sewage works refunding bonds	7,605,000	357,624
<b>Total business-type activities debt</b>	<b><u>\$ 12,265,000</u></b>	<b><u>\$ 786,357</u></b>

Note to Schedule:

- The Clark-Floyd Counties Convention and Tourism Bureau has assumed paying principal and interest payments on behalf of the Town.

TOWN OF CLARKSVILLE  
OTHER REPORT

The report presented herein was prepared in addition to another official report prepared for the individual Town office listed below:

Street Department

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS

TEMPORARY PERSONNEL SERVICES PAYMENTS (Applies to Town Council)

The Town of Clarksville paid Crown Services, Inc., \$109,233 and \$104,791 during the years 2007 and 2008, respectively, for temporary personnel services provided to various Town departments. We noted the following regarding the payments to Crown Services, Inc.:

1. Crown Services, Inc.'s invoices show the hourly rate billed for each temporary employee. No contract was presented for examination showing how this rate was determined.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. The Town Council has delegated the approval of rates paid to temporary employees to department heads through the passage of yearly ordinances that state the following:

"In the event a utilization of temporary manpower services provided on a contractual basis through an outside manpower agency is determined feasible, a hiring may be made by a department head at the rate negotiated with the agency for the type of position being filled, providing that sufficient appropriations are available to do so in the appropriate departmental budget."

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)

3. The Town prepares time records showing the total number of hours worked by the temporary employees. These time records are submitted to Crown Services, Inc., and are used as the basis for billing the Town for services of temporary employees. Temporary employees are not required to use time cards or to sign attendance reports showing their specific starting time and specific ending time.

Section 4.02 of the Employee Handbook for the Town of Clarksville (January 2009) states in part the following:

". . . employees must accurately record the time they begin and end their work . . . It is the employee's responsibility to sign his or her time record to certify the accuracy of all time recorded. The timekeeper for the department will review and then initial the time record before submitting it for payroll processing . . ."

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 CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

NO QUOTES OBTAINED FOR PUBLIC WORKS PROJECTS  
(Applies to Town Council and Redevelopment Commission)

The following are examples of public works projects the Town paid Goodman Construction during the years 2007 and 2008:

Description of Project	Department	Final Date Paid	Amount
Sidwalk Repair, Veterans Parkway	Redevelopment	10-10-07	\$ 10,350.00
Replace Guardrail on Blackiston	Street	11-14-07	3,020.00
Applegate and Kopp Lane, Street Repair	Street	11-14-07	20,296.00
Sidwalk Repair, Virginia Street	Redevelopment	12-27-07	4,651.50
Drainage Ditch, Dovir Woods	Storm Water Utility	08-01-07	30,951.50
Catch Basin, Flatwood Court	Storm Water Utility	07-22-08	7,067.50
Storm Water Drains, Wildwood Drive	Storm Water Utility	09-03-08	17,451.80
Storm Water Pipe, North Clark	Storm Water Utility	09-03-08	<u>4,930.00</u>
 Total			 <u>\$ 98,718.30</u>

The quotes presented for examination consisted of a list of labor rates and equipment rates from various contractors. No specific quotes or a log of quotes by project were presented for examination.

For projects costing less than \$50,000, IC 36-1-12-5(b) states:

"The board must proceed under the following provisions:

- (1) The board shall invite quotes from a least three (3) persons known to deal in the class of work proposed to be done by mailing them a notice stating the plans and specifications are on file in a specified office. The notice must be mailed not less than seven (7) days before the time fixed for receiving quotes.
- (2) The board may not require a person to submit a quote before the meeting at which quotes are to be received. The meeting for receiving quotes must be open to the public. All quotes received shall be opened publicly and read aloud at the time and place designated and not before.
- (3) The board shall award the contract for the public work to the lowest responsible and responsive quoter.
- (4) The board may reject all quotes submitted.
- (5) If the board rejects all quotes under subdivision (4) of this section, the board may negotiate and enter into agreements for the work in the open market without inviting or receiving quotes if the board establishes in writing the reasons for rejecting the quotes."

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

As an alternative to soliciting quotes by the mail, IC 36-1-12-5(i) states:

"Quotes for public works projects costing less than twenty-five thousand dollars (\$25,000) may be obtained by soliciting at least three (3) quotes by telephone or facsimile transmission. The seven (7) day waiting period required by subsection (b) (1) does not apply to quotes solicited under this subsection."

NO BIDS/QUOTES – COMPATIBILITY PRESENTLY OWNED EQUIPMENT (Applies to Town Council)

The Town of Clarksville purchased the following Street Department equipment without advertising for bids or soliciting for quotes:

Date	Quantity	Description	Notes	Amount Paid
01-04-07	1	Dump bed, snow plow, & related equipment	(1), (2), (4)	\$ 47,000
05-03-07	2	Dump truck cab and chassis	(1),(5)	104,956
10-10-07	2	Dump bed, snow plow & related equipment	(3),(4)	59,734

Notes to Schedule:

- (1) Effective prior to July 1, 2007, equipment (supplies) costing \$25,000 or more is to be purchased by advertising of bids.
- (2) Effective prior to July 1, 2007, supplies costing at least \$25,000 and not more than \$75,000 the town may, in lieu of advertising for bids, solicit written quotes by following IC 5-22-8-3.

IC 5-22-8-3 (effective prior to July 1, 2007) states:

". . . if the purchasing agent expects the purchase to be . . . at least \$25,000 and . . . not more than \$75,000, . . . the purchasing agent may purchase supplies by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased."

- (3) Effective July 1, 2007, equipment (supplies) costing \$50,000 or more is to be purchased by advertising for bids. For supplies costing at least \$50,000 and not more than \$150,000 the town may, in lieu of advertising for bids, solicit written quotes by following IC 5-22-8-3.

IC 5-22-8-3 (effective July 1, 2007) states in part:

". . . if the purchasing agent expects the purchase to be . . . at least fifty thousand dollars (\$50,000); and . . . not more than one hundred fifty thousand dollars (\$150,000). A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased."

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

(4) Purchase from J. Edinger.

(5) Purchase from Coyle Chevrolet.

The Town Council cited in their minutes "single source of supply" due to compatibility of presently owned equipment as justification for not inviting for bids or soliciting quotes for the above equipment. No documentation was presented for examination citing: (1) the reasons compatibility of presently owned equipment was a substantial consideration for the above purchases and (2) that there was only one source available to meet the Town's reasonable requirements for the above purchases.

IC 5-22-10-8 states: "A purchasing agent may make a special purchase when: (1) the compatibility of equipment, accessories, or replacement parts is a substantial consideration in the purchase; and (2) only one (1) source meets the using agency's reasonable requirements."

NO BIDS/QUOTES – EQUIPMENT PURCHASED WITH TRADE-IN (Applies to Town Council)

The Town purchased a backhoe from MH Equipment on June 30, 2008 that had a gross cost of \$84,193. The purchase was made with a trade-in of the backhoe purchased October 26, 2006, in the amount of \$64,954, resulting in a net payment of \$21,239. No bids or quotes were presented for examination

Effective July 1, 2007, equipment (supplies) costing at least \$50,000 and not more than \$150,000 requires the advertising of bids. IC 5-22-7-5 states: "The purchasing agency shall give notice of the invitation for bids in a manner required by IC 5-3-1." In lieu of advertising for bids, a town may solicit written quotes by following IC 5-22-8-3.

IC 5-22-8-3 (effective July 1, 2007) states in part:

". . . if the purchasing agent expects the purchase to be . . . at least fifty thousand dollars (\$50,000); and . . . not more than one hundred fifty thousand dollars (\$150,000). A purchasing agent may purchase supplies under this section by inviting quotes from at least three (3) persons known to deal in the lines or classes of supplies to be purchased"

OVERPAYMENT ON EQUIPMENT PURCHASE (Applies to Wastewater Utility)

Town accepted a quote of \$295,928 from Jack Doheny Supplies for a Vactor Combo Sewer Cleaner and Camera on September 25, 2007. Payments made to Jack Doheny Supplies totaled \$298,928 or \$3,000 in excess of the quote. The quote included a \$7,000 discount for the purchase of both the cleaner and camera; and additional optional equipment costing \$4,000. The invoices did not reflect the discount or the purchase of the optional equipment resulting in an overpayment of \$3,000. We brought the overpayment to the attention of Utility officials.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Wastewater Utility obtained a refund of the overpayment in the amount of \$3,000 on August 27, 2009. (See Summary, page \_\_\_)

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

SALE OF REAL PROPERTY (Applies to Town Council)

The Town sold real property to Coyle Chevrolet in the year 2007 in the amount \$85,000. No appraisals were presented for examination and only one notice of sale of real property was advertised in the newspaper.

IC 36-1-11-4 states in part: "(b) The disposing agent shall first have the property appraised by two (2) appraisers . . . (c) After the property is appraised, the disposing agent shall publish a notice in accordance with IC 5-3-1 setting forth the terms and conditions of the sale . . ."

IC 5-3-1-2(e) requires that a notice for bids be published two times, at least one week apart, with the second publication made at least seven days prior to the date bids are to be received.

CONFLICT OF INTEREST (Applies to Town Council)

Conflict of interest annual disclosure statements were filed by Donald W. Tetley and Paul L. Kraft, both Town Councilmen, as partners in K & T, Inc. (d/b/a Kraft Marathon) for their contract with the Town regarding impounding of vehicles. The conflict of interest disclosure statements did not disclose any additional services or purchases. The Town paid Kraft Marathon \$2,615 and \$2,599 for services and other purchases during the years 2007 and 2008, respectively, in addition to services related to the impounding of vehicles.

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."

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

"(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."

PAYMENTS FOR TOWING TOWN VEHICLES (Applies to Town Council)

Payments totaling \$410 were made to Kraft Marathon (K & T, Inc.) for towing Town vehicles during the years 2007, 2008, and 2009.

The agreement for towing services between the Town of Clarksville and K & T, Inc. (Operator) states in part: "For and in consideration of the mutual promises and covenants and representations herein contained, the parties hereto mutually agree as follows . . . Operator Duties . . . To tow Town vehicles, not related to Police Department impoundments, at no charge to the Town."

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COUNCIL MEETING WITHOUT A QUORUM (Applies to Town Council)

The Town Council held a public hearing required by IC 6-1.1-17-3(a) on November 21, 2008, regarding the 2009 budget. Only three board members were in attendance at the meeting, whereas four board members were required for a quorum. The meeting proceeded without a quorum of members present.

IC 5-14-1.5-2(c) states in part: "'Meeting' means a gathering of a majority of the governing body of a public agency for the purpose of taking official action upon public business. . . ."

IC 5-14-1.5-2(d) states in part: "'Official action' means to: (1) receive information; (2) deliberate; (3) make recommendations; (4) establish policy; (5) make decisions; or (6) take final action."

MOWING OF WEEDS (Applies to Town Council)

The Town Council approved an ordinance requiring property owners to cut and remove weeds on their property. The ordinance requires the Town or its contractors to abate a violation of the ordinance if the property owner fails to abate the violation and requires that the property owner be billed the costs incurred by the Town for abating the violation.

The Town paid \$1,220 and \$5,440 during the years 2007 and 2008, respectively, to various vendors to mow weeds on vacant lots. A reimbursement of \$245 was received during the year 2008 from one property owner. The remaining \$6,415 due from property owners was not repaid and was not certified to the County Auditor for collection.

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Clarksville Code of Ordinances Section 97.06 (B), titled "Cost of Removal by The Town," of Chapter 97, titled "Weeds," states in part: "If the landowner fails to pay within the specified ten-day period, a certified copy of the statement of the cost with the administrative fee shall be filed in the Office of the Clark County Auditor. . . ."

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)

The ordinance does not specify the Town Department responsible for filing a certified statement of the cost and administrative fee in the Office of the County Auditor.

IC 36-7-10.1-4 states:

"If the owner of real property fails to pay a bill issued under section 3 of this chapter within the time specified in the ordinance, the department specified in the ordinance shall certify to the county auditor the amount of the bill, plus any additional administrative costs incurred in the certification. The auditor shall place the total amount certified on the tax duplicate for the property affected, and the total amount, including any accrued interest, shall be collected as delinquent taxes are collected and shall be disbursed to the general fund of the municipality or county."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS (Applies to Clerk-Treasurer)

We noted instances of the Town not issuing Internal Revenue Service Form 1099 to vendors for contractual services. We also noted that the value of group health insurance was not reported on the 1099 issued to Samuel K. Gwin, contractual Town Attorney.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS (Applies to Wastewater Utility)

The following deficiencies, relating to the recordkeeping, were present during our period of examination for the Wastewater Utility:

1. Financial records presented for examination were not organized for easy access and not all financial reports were presented for examination.

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, and other public records must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. Numerous errors were noted on the bank reconciliations. The following are examples of errors noted:
  - a. The outstanding check lists used in the preparation of bank reconcilements were not accurate at December 31, 2007 and 2008. For example, check number 319 in the amount of \$1,496.72, which was voided in October of 2007, was included on the December 31, 2007 and 2008 outstanding check lists.
  - b. A tap-in receipt in the amount of \$1,950 deposited in October of the year 2007 was not recorded on the financial records. This error was not identified by the Utility Office on the bank reconciliation presented for examination.
  - c. Adjustments were made to the reconciled bank balance without proper supporting documentation.

IC 5-13-6-1(e) states: "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)

3. Utility expenses were not properly categorized in the general ledger. The expense category for "Materials and Supplies" was used to record a variety of expenses that were not materials and supplies.

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)

4. The Utility does not have procedures in effect whereby adjustments are approved, prior to the being made to the general ledger.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. Documentation should exist for all efforts made by the governmental unit to collect amounts owed prior to any write-offs. Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

5. Financial transactions for the Storm Water Utility's general ledger account for delinquent accounts receivable was not properly recorded. The Storm Water Utility's financial activity is accounted for on the Wastewater Utility records. The Storm Water Utility's share of collections of delinquent accounts received from the County Auditor was not determined.

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

The delinquent Storm Water collections were recorded with the Wastewater Utility Funds. At December 31, 2007 and 2008, the delinquent accounts receivable account had a credit balance, rather than a debit balance, indicating that monies are owed to customers rather than due to the Storm Water Utility.

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)

ACCOUNTS RECEIVABLE NOT RECONCILED (Applies to Wastewater Utility)

A comparison of the accounts receivable general ledger account with the detailed aged trial balance account, which is a listing of individual customer balances, showed the following variances at December 31, 2007, and December 31, 2008:

	12-31-07		
	Wastewater Utility	Storm Water Utility	Totals
Accounts Receivable			
Reported on General Ledger	\$ 543,496	\$ 160,210	\$ 703,706
Reported on Aged Trial Balance	510,756	151,404	662,160
Variance	\$ 32,740	\$ 8,806	\$ 41,546
	12-31-08		
	Wastewater Utility	Storm Water Utility	Totals
Accounts Receivable			
Reported on General Ledger	\$ 595,362	\$ 178,169	\$ 773,532
Reported on Aged Trial Balance	569,166	148,614	717,781
Variance	\$ 26,196	\$ 29,555	\$ 55,751

Other Items Noted:

1. We noted that the storm water billing for July 2008 of \$82,847.80 was not posted to the general ledger. We adjusted for this error in the accounts receivable comparison presented in the above schedule.

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

2. Prior to the year 2008, the Utility maintained manual records for delinquent account balances that had been previously certified to the County Auditor for collection. The practice of keeping a manual record of delinquent account balances for certified delinquent accounts was discontinued in the year 2008, when these accounts were included in the computerized accounting system.

Records were not presented for examination showing that a reconciliation was performed between the certified delinquent account balances reported on the manual records with the delinquent account balances entered on the computerized system at the time the conversion was made.

No reconciliations were presented for examination showing that the detailed certified delinquent accounts receivable were reconciled with the total certified delinquent accounts receivable reported on the general ledger account during the year 2008.

The aged accounts receivable trial balance report presented at December 31, 2008 included only the account balances for current customers and did not include the certified delinquent accounts receivable balances. The Utility did not present for examination a detailed listing of the certified delinquent accounts receivable at December 31, 2008. The only listing of delinquent certified accounts receivable presented during the year 2008 was dated December 8, 2008.

Controls over the receipting, disbursing, recording and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

A similar comment was also reported in the prior examination Report B31492.

DAILY DEPOSITS (Applies to Wastewater Utility)

There were instances of utility ticket stubs (customer receipts) being stamped as paid as many as fifteen days prior to being deposited in the bank.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TOWN OF CLARKSVILLE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Wastewater Utility)

The Town's capital asset records are incomplete. Not all infrastructure type assets, such as Town streets and the Wastewater Utility's storm sewers, were included in the capital asset record.

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)

OPTICAL IMAGES OF CHECKS (Applies to Town Court)

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)."

TOWN OF CLARKSVILLE  
EXIT CONFERENCE

The contents of this report were discussed on August 30, 2010, with Gregory L. Isgrigg, President of the Town Council; Gary P. Hall, Clerk-Treasurer; Roberta McLemore, Deputy Clerk-Treasurer; and Anita Elliott-Neeld; Deputy Clerk-Treasurer.

Comments in this report related to Redevelopment Commission were discussed with Richard E. Dickman, Redevelopment Director, and with Donald W. Tetley, President of the Redevelopment Commission. The officials concurred with our findings.

Comments in this report related to Town Court were discussed with Amanda Craig, 1<sup>st</sup> Deputy Town Court Clerk.

TOWN OF CLARKSVILLE  
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Jack Doheny Supplies:			
Overpayment on Equipment Purchase, page 15	\$ 3,000	\$	\$
Jack Doheny Supplies:			
Refunded August 27, 2009, Receipt No. 589	<u>                    </u>	3,000	<u>                    </u> -
Totals	<u>\$ 3,000</u>	<u>\$ 3,000</u>	<u>\$</u> <u>                    </u> -