

B37731

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

EXAMINATION REPORT
OF
TOWN OF SULPHUR SPRINGS
HENRY COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/03/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donald Swoveland	01-01-04 to 12-31-11
President of the Town Council	Mike Drake Howard Flanagan	01-01-07 to 12-31-07 01-01-08 to 12-31-10



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SULPHUR SPRINGS, HENRY COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Sulphur Springs (Town), for the period of January 1, 2007 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, 2007, 2008, and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

August 10, 2010

TOWN OF SULPHUR SPRINGS
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2007, 2008, And 2009

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 19,911	\$ 73,194	\$ 73,252	\$ 19,853
Motor Vehicle Highway	10,431	12,659	5,365	17,725
Local Road and Street	11,127	7,134	4,690	13,571
Law Enforcement Continuing Education	22	1,576	293	1,305
Riverboat	4,359	2,182	4,500	2,041
Cumulative Capital Improvement	1,667	1,710	3,377	-
Cumulative Capital Development	4,913	1,868	-	6,781
Totals	<u>\$ 52,430</u>	<u>\$ 100,323</u>	<u>\$ 91,477</u>	<u>\$ 61,276</u>

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 19,853	\$ 41,394	\$ 42,484	\$ 18,763
Motor Vehicle Highway	17,725	9,661	8,864	18,522
Local Road and Street	13,571	5,781	4,736	14,616
Law Enforcement Continuing Education	1,305	1,592	2,496	401
Riverboat	2,041	2,170	-	4,211
Cumulative Capital Improvement	-	1,125	113	1,012
Cumulative Capital Development	6,781	1,866	2,420	6,227
Totals	<u>\$ 61,276</u>	<u>\$ 63,589</u>	<u>\$ 61,113</u>	<u>\$ 63,752</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 18,763	\$ 42,662	\$ 44,725	\$ 16,700
Motor Vehicle Highway	18,522	9,204	10,566	17,160
Local Road and Street	14,616	5,343	6,874	13,085
Law Enforcement Continuing Education	401	794	283	912
Rainy Day	-	897	-	897
Riverboat	4,211	3,916	4,750	3,377
Cumulative Capital Improvement	1,012	1,691	1,200	1,503
Cumulative Capital Development	6,227	1,434	2,500	5,161
Totals	<u>\$ 63,752</u>	<u>\$ 65,941</u>	<u>\$ 70,898</u>	<u>\$ 58,795</u>

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

TOWN OF SULPHUR SPRINGS
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, culture and recreation, highways and streets, 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.

TOWN OF SULPHUR SPRINGS
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

The records presented for examination indicated the following expenditures in excess of budgeted appropriations:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Local Road and Street	2007	\$ 1,190.48
Cumulative Capital Improvement	2007	713.79
Motor Vehicle Highway	2008	864.29
Cumulative Capital Improvement	2009	200.05
Riverboat	2009	1,750.00

A similar comment appeared in prior report B31036.

IC 6-1.1-18-4 states, in part: ". . . the proper officers of a political subdivision shall appropriate funds in such a manner that the expenditures for a year do not exceed its budget for that year as finally determined under this article."

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) Claims or invoices did not have evidence to support receipt of goods or services.
- (4) Lack of supporting documentation for some purchases.
- (5) Sales taxes were paid.
- (6) A donation was made to the local youth baseball league.

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;

TOWN OF SULPHUR SPRINGS
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

Supporting documentation such as receipts, canceled checks, tickets, 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)

Governmental funds generally are exempt from the payment of sales tax on qualifying purchases. Respective tax agencies should always be contacted concerning tax exemptions and payments. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OPTICAL IMAGES OF WARRANTS

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

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

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

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

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

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

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

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

TOWN OF SULPHUR SPRINGS
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town does not maintain a record of capital assets. A similar comment appeared in prior Report B31036.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded in the Capital Assets Ledger. A complete inventory should be taken every year for good internal control and for verifying account balances carried in the accounting records. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONDITION OF RECORDS

The following deficiencies were present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period.
- (2) There were a considerable number of posting errors. These errors included interest not posted timely.
- (3) Form 206, Treasurer's Monthly Financial Statement and Depository Reconciliation, was not in use during the period examined.
- (4) Ledgers were not totaled in each fund by receipts and disbursements for all years.
- (5) The December 31, 2009 cash reconciliation indicated a cash long of \$1,952.
- (6) The Annual Reports did not reflect all town activity. The "operation pullover" activity was not included in 2008 or 2009.

A similar comment appeared in the prior Report B31036.

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."

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)

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 SULPHUR SPRINGS
EXIT CONFERENCE

The contents of this report were discussed on August 10, 2010, with Donald Swoveland, Clerk-Treasurer. The official concurred with our findings.