

B37758

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

EXAMINATION REPORT
OF
TOWN OF ANDREWS
HUNTINGTON COUNTY, INDIANA
January 1, 2007 to December 31, 2009



FILED
11/10/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Kathy Juillerat William K. Johnson	01-01-04 to 12-31-07 01-01-08 to 12-31-11
President of the Town Council	Robert Gray David Jones Karl Shockome Robert Gray Vacant	01-01-07 to 12-31-07 01-01-08 to 06-30-08 07-01-08 to 12-31-09 01-01-10 to 07-19-10 07-20-10 to 08-23-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF ANDREWS, HUNTINGTON COUNTY, INDIANA

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

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

August 23, 2010

TOWN OF ANDREWS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2007

	Cash and Investments 01-01-07	Receipts	Disbursements	Cash and Investments 12-31-07
Governmental Funds:				
General	\$ 307,264	\$ 365,803	\$ 330,579	\$ 342,488
Motor Vehicle Highway	124,691	48,837	93,040	80,488
Local Road and Street	20,430	7,264	10,080	17,614
Park and Recreation	9,940	6,097	871	15,166
Law Enforcement Continuing Education	1,163	273	-	1,436
Riverboat	21,646	8,134	2,549	27,231
Rainy Day	20,200	-	-	20,200
Trash Pickup	10,790	32,629	28,414	15,005
Firefighting	54,415	63,224	19,204	98,435
Community Building	4,291	-	789	3,502
Cumulative Capital Improvement	10,541	2,132	7,950	4,723
Cumulative Capital Development	27,841	5,594	14,644	18,791
Cumulative Firefighting Equipment	21,607	3,724	-	25,331
Economic Development Income Tax	101,630	52,020	15,000	138,650
Proprietary Funds:				
Water Utility - Operating	90,902	176,132	187,916	79,118
Water Utility - Bond and Interest	24,568	49,400	24,819	49,149
Water Utility - Depreciation	22,920	17,570	-	40,490
Water Utility - Customer Deposit	26,221	7,650	5,630	28,241
Water Utility - Reserve	64,253	-	49,400	14,853
Water Utility - Tower Maintenance	12,000	2,400	-	14,400
Wastewater Utility - Operating	17,684	264,486	264,969	17,201
Wastewater Utility - Depreciation	31,988	26,419	-	58,407
Wastewater Utility - Customer Deposit	10,000	-	-	10,000
Fiduciary Fund:				
Payroll	-	372,608	368,539	4,069
Totals	<u>\$ 1,036,985</u>	<u>\$ 1,512,396</u>	<u>\$ 1,424,393</u>	<u>\$ 1,124,988</u>

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

TOWN OF ANDREWS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2008
(Continued)

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 342,488	\$ 365,299	\$ 331,443	\$ 376,344
Motor Vehicle Highway	80,488	84,138	91,831	72,795
Local Road and Street	17,614	6,849	6,107	18,356
Park and Recreation	15,166	7,031	1,685	20,512
Law Enforcement Continuing Education	1,436	325	-	1,761
Riverboat	27,231	8,092	-	35,323
Rainy Day	20,200	3,278	-	23,478
Trash Pickup	15,005	37,102	35,018	17,089
Firefighting	98,435	52,480	21,281	129,634
Community Building	3,502	-	-	3,502
Cumulative Capital Improvement	4,723	4,195	7,020	1,898
Cumulative Capital Development	18,791	5,990	2,752	22,029
Cumulative Firefighting Equipment	25,331	3,987	74	29,244
Economic Development Income Tax	138,650	54,333	11,500	181,483
Proprietary Funds:				
Water Utility - Operating	79,118	167,717	187,001	59,834
Water Utility - Bond and Interest	49,149	-	1,657	47,492
Water Utility - Depreciation	40,490	16,682	-	57,172
Water Utility - Customer Deposit	28,241	5,855	4,485	29,611
Water Utility - Reserve	14,853	-	-	14,853
Water Utility - Tower Maintenance	14,400	2,400	-	16,800
Wastewater Utility - Operating	17,201	260,802	211,730	66,273
Wastewater Utility - Depreciation	58,407	25,982	-	84,389
Wastewater Utility - Customer Deposit	10,000	-	-	10,000
Fiduciary Fund:				
Payroll	4,069	324,731	325,136	3,664
Totals	<u>\$ 1,124,988</u>	<u>\$ 1,437,268</u>	<u>\$ 1,238,720</u>	<u>\$ 1,323,536</u>

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

TOWN OF ANDREWS
SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL, PROPRIETARY AND FIDUCIARY FUND TYPES
As Of And For The Year Ended December 31, 2009
(Continued)

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 376,344	\$ 303,724	\$ 367,636	\$ 312,432
Motor Vehicle Highway	72,795	91,036	64,323	99,508
Local Road and Street	18,356	6,476	-	24,832
Park and Recreation	20,512	4,406	11,039	13,879
Law Enforcement Continuing Education	1,761	691	-	2,452
Riverboat	35,323	8,073	-	43,396
Rainy Day	23,478	-	11,373	12,105
Trash Pickup	17,089	35,164	34,617	17,636
Firefighting	129,634	49,761	15,240	164,155
Community Building	3,502	-	-	3,502
Local Option Income Tax - Public Safety	-	11,156	-	11,156
Cumulative Capital Improvement	1,898	3,955	3,853	2,000
Cumulative Capital Development	22,029	3,602	2,893	22,738
Cumulative Firefighting Equipment	29,244	2,398	-	31,642
Economic Development Income Tax	181,483	58,067	-	239,550
Proprietary Funds:				
Water Utility - Operating	59,834	193,055	161,451	91,438
Water Utility - Bond and Interest	47,492	-	46,933	559
Water Utility - Depreciation	57,172	14,620	-	71,792
Water Utility - Customer Deposit	29,611	7,180	5,525	31,266
Water Utility - Reserve	14,853	-	-	14,853
Water Utility - Tower Maintenance	16,800	2,400	-	19,200
Wastewater Utility - Operating	66,273	242,075	282,601	25,747
Wastewater Utility - Depreciation	84,389	24,028	-	108,417
Wastewater Utility - Customer Deposit	10,000	-	-	10,000
Fiduciary Fund:				
Payroll	3,664	318,462	318,240	3,886
Totals	<u>\$ 1,323,536</u>	<u>\$ 1,380,329</u>	<u>\$ 1,325,724</u>	<u>\$ 1,378,141</u>

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

TOWN OF ANDREWS
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, health and social services, culture and recreation, general administrative services, water and wastewater.

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.

TOWN OF ANDREWS
NOTES TO FINANCIAL INFORMATION
(Continued)

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. 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.

TOWN OF ANDREWS
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF CAPITAL ASSETS
 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 completed in the current years have been reported. Retroactive reporting of general infrastructure assets is not required.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 191,672
Infrastructure	71,766
Buildings	123,173
Improvements other than buildings	540,720
Machinery and equipment	<u>479,709</u>
 Total governmental activities, capital assets not being depreciated	 <u>\$ 1,407,040</u>
 Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 17,550
Buildings	33,181
Improvements other than buildings	1,240,556
Machinery and equipment	<u>91,164</u>
 Total Water Utility capital assets	 <u>1,382,451</u>
 Wastewater Utility:	
Capital assets, not being depreciated:	
Land	12,170
Buildings	3,203
Improvements other than buildings	1,978,318
Machinery and equipment	<u>174,535</u>
 Total Wastewater Utility capital assets	 <u>2,168,226</u>
 Total business-type activities capital assets	 <u>\$ 3,550,677</u>

TOWN OF ANDREWS
 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 lease:		
2008 Police car	\$ 6,900	\$ 7,355
Business-type activities:		
Wastewater Utility:		
Notes and loans payable:		
Norwood Construction Assistance	\$ 110,023	\$ 29,496

TOWN OF ANDREWS
EXAMINATION RESULTS AND COMMENTS

PERSONAL USE OF TOWN OWNED PROPERTY

In 2009, a fire truck owned by the Town was used in a wedding procession of a volunteer fireman of the Andrews Volunteer Fire Department. In correspondence with the Indiana State Board of Accounts, the Clerk-Treasurer was advised that the Town should be reimbursed "a fair and logically computed reimbursement".

On June 21, 2010, the Fire Chief of the Andrews Volunteer Fire Department paid the Town \$1 for the use of the fire truck.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental unit maybe the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORTS

The 2008 and 2009 City Town Annual Reports (CTARs) were incomplete. Investments on hand at December 31, 2008 and December 31, 2009, were not reported. On the 2008 annual report, the Water Bond and Interest Fund incorrectly reflected a payment for bond and interest which was actually paid from the Water Operating Fund.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Clothing allowances for some Town employees were not properly reported on Form W-2 in 2007 and 2008.

Total federal wages reported on Form W-3 did not agree with the total amounts reported on Forms 941 for the years 2007 and 2008.

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)

TOWN OF ANDREWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PENALTIES, INTEREST, AND OTHER CHARGES - INDIANA DEPARTMENT OF REVENUE

Penalties and interest totaling \$111 in 2008 and \$171 in 2009 were paid to the Indiana Department of Revenue for late remittances of payroll withholdings.

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)

SALES TAX – WATER UTILITY SALES

The Water Utility did not collect or remit sales tax to the Indiana Department of Revenue for utility services to three commercial customers.

Collections by a city or town from the retail sale of tangible property, utility service, or commodities in the performance of private or proprietary activities are subject to sales tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All questions concerning the law or procedure for paying and collecting sales tax should be directed to the Indiana Department of Revenue, Sales Tax Division. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

SALES TAX - PAID ON PURCHASES

Sales tax was paid on several purchases made with the Town's credit cards.

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)

CUSTOMER DEPOSIT REGISTER

The detailed Customer Deposit Register was not reconciled with the customer deposit amount recorded on the General Ledger for the years 2007, 2008, and 2009.

TOWN OF ANDREWS
EXAMINATION RESULTS AND COMMENTS
(Continued)

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 ANDREWS
EXIT CONFERENCE

The contents of this report were discussed on August 23, 2010, with William K. Johnson, Clerk-Treasurer; and Karl Shockome, Town Council member. The officials concurred with our findings.

The contents of this report were discussed on August 23, 2010, with Kathy Juillerat, former Clerk-Treasurer. The official response has been made a part of this report and may be found on pages 15 and 16.

August 30, 2010

TO WHOM IT MAY CONCERN:

After review Town of Andrews Examination Results and Comments, I decided I needed to respond.

In regards to the issues with the Fire Truck being considered Personal Use of Town Owned Property. I don't believe this is personal use. This is a service the Fire Department has performed in the past and wasn't considered personal use. There was no Public Funds used for this. One of the Functions of the Fire Department is to promote and support for Volunteer Firemen and other organizations.

Such as this event a wedding took place of a Volunteer Firemen, A Firemen drove the Fire Truck; the gas for use of the Fire Truck was paid by a business. **AFTER** the event of this wedding the Fire Truck was use at Easter time (2010) to haul around an Easter Bunny. Fire Truck is used for food drives every year. The Fire Truck was used for a prior Volunteer Firemen's funeral of a parent (2010). Fire Truck was used for the Fire Chief's parent funeral (2010) and even taken out of Huntington County, all approved by Town Council Member Raymond (Ray) Tackett.

Council Member Raymond (Ray) Tackett is the Council Member who stated in an open Public Meeting (June 2010) it isn't up to State Board of Accounts to take care of this issue it is up to Town Council Members so I make the motion to pay \$1.00 and the subject will then be closed. So at that time the Fire Chief paid the \$1.00.

I believe this write up is unjust due to all the facts above.

Sincerely,

Former Clerk-Treasurer

Kathy Juillerat



August 30, 2010

TO WHOM IT MAY CONCERN:

In Reference to the Sales Tax – Water Utility Sales

I wasn't going to respond to this examination results and comments for the Town of Andrews, however after checking with other Municipalities they all stated, if a business gives them a tax exempt paper then they don't charge sales tax on water.

I was Clerk-Treasurer for 12 years and even before my time you will find taxes wasn't charged for business in the Town of Andrews. If this was wrong I think someone should bring it to The Town of Andrews and other Municipalities attention before it becomes a comment in an audit report.

Sincerely,

Former Clerk-Treasurer

Kathy Juillerat

