

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

EXAMINATION REPORT
OF
TOWN OF RUSSELLVILLE
PUTNAM COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED

11/15/2010

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Sally Spencer McAfee

01-01-08 to 12-31-11

President of the
Town Council

Donald W. Reddish

01-01-08 to 12-31-10



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF RUSSELLVILLE, PUTNAM COUNTY, INDIANA

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

STATE BOARD OF ACCOUNTS

August 12, 2010

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 13,460	\$ 39,903	\$ 47,171	\$ 6,192
Motor Vehicle Highway	36,982	16,980	20,785	33,177
Local Road and Street	2,295	2,381	3,331	1,345
Law Enforcement Continuing Education	258	355	338	275
EDIT	7,932	26,127	7,000	27,059
Cumulative Capital Improvement	4,728	1,106	-	5,834
Proprietary Funds:				
Water Utility - Operating	48,182	104,904	116,634	36,452
Water Utility - Bond and Interest	39,692	776	25,268	15,200
Water Utility - Customer Deposit	2,000	1,575	1,550	2,025
Totals	<u>\$ 155,529</u>	<u>\$ 194,107</u>	<u>\$ 222,077</u>	<u>\$ 127,559</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 6,192	\$ 76,662	\$ 68,530	\$ 14,324
Motor Vehicle Highway	33,177	14,849	15,943	32,083
Local Road and Street	1,345	2,257	-	3,602
Law Enforcement Continuing Education	275	320	100	495
EDIT	27,059	5,222	-	32,281
Cumulative Capital Improvement	5,834	1,043	-	6,877
Proprietary Funds:				
Water Utility - Operating	36,452	137,124	90,075	83,501
Water Utility - Bond and Interest	15,200	169	15,369	-
Water Utility - Customer Deposit	2,025	440	300	2,165
Totals	<u>\$ 127,559</u>	<u>\$ 238,086</u>	<u>\$ 190,317</u>	<u>\$ 175,328</u>

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

TOWN OF RUSSELLVILLE
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, water 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 RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS

APPROVAL OF CLAIMS

In 2009, the Town went from manual preparation of claims to computer preparation of claims. From January to October of that year an accounts payable voucher register allowing the payment of bills was not presented at each Board meeting for the Board members to sign. During that same period the claims were not certified by the Clerk-Treasurer.

IC 5-11-10-2(a) states:

"Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

CAPITAL ASSET RECORDS

As stated in the previous three reports, records of the Town's capital assets and the Water Utility's capital assets are not maintained. During this examination period purchases were made but they were not recorded on City and Town Form 211.

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)

DEPOSITS

One hundred and thirty state and local tax distributions were tested. Fifteen of these distributions were deposited later than the next business day.

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."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Utility receipts tax has not been paid as required. We requested that the Clerk-Treasurer prepare URT-1 forms for 2008 and 2009 and submit the amount due to the Indiana Department of Revenue.

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)

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.

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

GUARANTEE DEPOSIT REGISTER

The Guarantee Deposit Register does not reconcile with the Utility Meter Deposit Fund cash balance. The current Clerk-Treasurer attempted to make corrections by posting meter deposit receipts and disbursements for 2005 through 2009. However, the Fund Balance exceeded the detail of the Guarantee Deposit Register by \$1,050 at December 31, 2009.

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)

ORDINANCES AND RESOLUTIONS

The Water Utility has an ordinance that requires that either service be shut-off or that an extension-of-time agreement be signed. The Water Utility has not followed the requirement for one Town Council member.

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalty and interest totaling \$373.42 was assessed for late payments of Indiana withholding tax in 2008 and 2009. These assessments have all been paid by the Clerk-Treasurer with her own personal funds.

Penalty and interest totaling \$150.55 was assessed for late payments of Indiana sales tax in 2008 and 2009. These assessments have all been paid by the Clerk-Treasurer with her own personal funds.

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)

TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on August 12, 2010, with Sally Spencer McAfee, Clerk-Treasurer; and Donald W. Reddish, President of the Town Council. The officials concurred with our findings.