

B37976

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

EXAMINATION REPORT  
OF  
TOWN OF MOUNT SUMMIT  
HENRY COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
12/06/2010



## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials .....	2
Independent Accountant's Report.....	3
Financial Information:	
Schedules of Receipts, Disbursements, and Cash and Investment Balances .....	4
Notes to Financial Information .....	5-6
Supplementary Information:	
Schedule of Long-Term Debt .....	7
Examination Results and Comments:	
Financial Report Opinion Modifications .....	8
Annual Report.....	8
Federal and State Agencies – Compliance Requirements .....	8
Official Bond .....	8-9
Overdrawn Cash Balances.....	9
Approval of Claims .....	9
Bank Account Reconciliations .....	9-10
Condition of Records .....	10
Customer Deposit Register .....	10-11
Supporting Documentation .....	11
Appropriations.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sharon Hillman	01-01-08 to 02-10-08
	(Vacant)	02-11-08 to 02-21-08
	Sharon Jessup	02-22-08 to 12-31-11
President of the Town Council	Betty Gipe	01-01-08 to 06-30-09
	Jeff Dillman	07-01-09 to 02-28-10
	Max Lines	03-01-10 to 12-31-10



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS  
302 WEST WASHINGTON STREET  
ROOM E418  
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513  
Fax: (317) 232-4711  
Web Site: [www.in.gov/sboa](http://www.in.gov/sboa)

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF MOUNT SUMMIT, HENRY COUNTY, INDIANA

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

The Town's management did not report accurate information in the City and Town Annual Report presented for examination. The Annual Report is used to compile the financial information. Beginning balances presented for both 2008 and 2009 do not agree to the prior year ending balances. The cash receipts, disbursements, and balances as shown in the financial information for the years ended December 31, 2008 and 2009, do not reconcile to the unit's books and ledgers nor do they reconcile to the corresponding bank statements.

In our opinion, the financial information referred to above does not present fairly, in all material respects, the financial information of the town as of December 31, 2008 and 2009, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

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

STATE BOARD OF ACCOUNTS

September 28, 2010

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

	Cash and Investments 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 18,466.66	\$ 18,717.67	\$ 23,838.58	\$ 13,345.75
Motor Vehicle Highway	35,240.96	8,995.65	23,858.59	20,378.02
Local Road and Street	14,531.37	5,093.27	9,144.77	10,479.87
Law Enforcement Continuing Education	-	76.00	-	76.00
Riverboat	1,973.71	1,963.47	-	3,937.18
Donation - Flag	60.00	40.00	65.00	35.00
Cemetery Maintenance	27,745.50	31,032.07	22,107.03	36,670.54
Proprietary Funds:				
Water Utility - Operating	38,881.60	137,260.49	142,488.68	33,653.41
Water Utility - Bond and Interest	38,691.72	24,000.00	52,153.00	10,538.72
Water Utility - Depreciation	1,679.64	9,200.00	517.33	11,562.31
Water Utility - Customer Deposit	4,270.00	1,700.00	1,035.00	4,935.00
Water Utility - SRF Reserve	-	17,684.00	-	17,684.00
Fiduciary Funds:				
Cemetery Endowment	55,532.84	817.07	817.07	55,532.84
Payroll	1.00	18,576.80	22,690.82	(4,113.05)
Totals	<u>\$ 237,075.00</u>	<u>\$ 275,156.49</u>	<u>\$ 298,715.87</u>	<u>\$ 214,715.59</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 13,345.75	\$ 13,944.66	\$ 16,444.34	\$ 10,846.07
Motor Vehicle Highway	20,378.02	11,731.59	6,517.24	25,592.37
Local Road and Street	10,479.87	1,662.53	2,075.78	10,066.62
Law Enforcement Continuing Education	76.00	156.00	-	232.00
Riverboat	3,937.18	1,958.76	-	5,895.94
Rainy Day	-	255.61	-	255.61
Donation - Flag	35.00	-	25.00	10.00
Fire Hydrant Maintenance	-	72.00	-	72.00
Cemetery Maintenance	36,670.54	17,301.50	19,425.16	34,546.88
Proprietary Funds:				
Water Utility - Operating	34,638.35	154,593.65	170,218.74	19,013.26
Water Utility - Bond and Interest	10,538.72	24,000.00	26,062.00	8,476.72
Water Utility - Depreciation	11,562.31	-	-	11,562.31
Water Utility - Customer Deposit	4,935.00	1,440.00	342.00	6,033.00
Water Utility - SRF Reserve	17,684.00	-	-	17,684.00
Water Utility - Grant	(240.00)	-	-	(240.00)
Fiduciary Funds:				
Cemetery Endowment	55,532.84	141.40	141.40	55,532.84
Payroll	(1,513.44)	21,986.56	32,708.96	(12,235.84)
Totals	<u>\$ 218,060.14</u>	<u>\$ 249,244.26</u>	<u>\$ 273,960.62</u>	<u>\$ 193,343.78</u>

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

TOWN OF MOUNT SUMMIT  
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: cemetery, street maintenance, general administrative services, and water utility 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 MOUNT SUMMIT  
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.

TOWN OF MOUNT SUMMIT  
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
Water Plant Improvements	\$ 283,760	\$ 7,540
Total business-type activities debt	<u>\$ 283,760</u>	<u>\$ 7,540</u>

TOWN OF MOUNT SUMMIT  
EXAMINATION RESULTS AND COMMENTS

FINANCIAL REPORT OPINION MODIFICATIONS

The financial reports presented for examination contained various known errors and did not agree with the supporting ledgers and bank records for the both years of the examination. Therefore, the State Board of Accounts was unable to provide an unqualified opinion on the Independent Auditors' Report for the financial statements.

Accounting records and other public records must be maintained in a manner that will support accurate financial statements. Anything other than an unqualified opinion on the Independent Auditors' Report on the financial statements may have adverse financial consequences with the possibility of an increase in interest rate cost to the taxpayers of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT

Annual reports for 2008 and 2009 were not submitted to the State Board of Accounts as required.

IC 5-11-1-4 states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The amounts listed as withheld on three employees' wage and tax statement forms (W-2) did not agree with the total amount withheld on the checks for those individuals.

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)

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)

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder:

Sharon Hillman, Clerk Treasurer 01-01-08 to 02-10-08  
Sharon Jessup, Clerk Treasurer 02-22-08 to 12-31-09

TOWN OF MOUNT SUMMIT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

Additionally, the bonds are payable to the Town of Mount Summit instead of the State of Indiana.

IC 5-4-1-5.1(b) states in part:

"Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

IC 5-4-1-10 states in part:

"All official bonds shall be payable to the State of Indiana; . . ."

OVERDRAWN CASH BALANCES

The cash balance of the Payroll Fund was overdrawn by \$4,113, as of December 31, 2008, and was overdrawn by as much as \$14,835 during 2009.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF CLAIMS

During the review of expenditures it was observed that checks were clearing the banks prior to being allowed by the Town Council as required by IC 5-11-10-2.

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."

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the water utility bank account balances for the months of August to December 2008 were not presented for examination.

Depository reconciliations of the fund balances to the water utility bank account balances included three entries for unknown outstanding reconciliation items totaling a negative \$1,137. The entries were first included on the March 2009 bank reconciliation.

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."

TOWN OF MOUNT SUMMIT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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)

CONDITION OF RECORDS

The following conditions were observed during the examination:

There were no utility billing reports for February 2008.

Distributions from the State of Indiana for the Town were directly deposited into the Water Utility's Bank account. The amount was posted to both the proper Town funds and to the Water Operating Fund. This resulted in the overstatement of receipts for the Water Utility Operating Fund of \$5,793.

Financial records presented for examination were incomplete and not reflective of the activity of the SRF Grant Fund. The 2009 City and Town Annual Report (CTAR) listed only a beginning balance and an ending balance. The Fund was established with the receipt of funds from the State of Indiana in October 2009.

The amount listed as wheel tax in the Motor Vehicle Highway Fund in the 2009 CTAR does not agree with the amount disbursed by the County Auditor or receipted into the ledger. The amount listed on the CTAR is \$401.12 less than the actual amount receipted by the unit.

The amount listed as Motor Vehicle Distribution from the State of Indiana on the 2009 CTAR does not agree with the amount disbursed by the State and receipted by the Town. The amount listed on the 2009 CTAR is \$483.13 more than was actually disbursed by the State.

Payroll records for 2008 were not presented for examination.

At all times, the manual and/or computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger for 2009.

TOWN OF MOUNT SUMMIT  
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)

SUPPORTING DOCUMENTATION

Two payments to the Clerk-Treasurer were observed which were not supported by adequate documentation, such as receipts, invoices, contracts, and other public records. On May 23, 2008, Sharon Jessup was paid \$433.50 from the Water Utility Fund for subcontract work done in January 2008. No contract for subcontract work between the Town and Sharon Jessup was observed. The second payment was made on August 14, 2008, in the amount of \$432.01. The supporting documentation attached to the voucher indicated that it was to "reimburse for Fire Depart gas bill end of 2006." This explanation did not provide us enough information to verify the validity of the payment. Both claims for payment were approved by the Town Council.

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)

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2008	\$ 504
Local Road and Street	2009	2,917

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."

TOWN OF MOUNT SUMMIT  
EXIT CONFERENCE

The contents of this report were discussed on September 28, 2010, with Sharon Jessup, Clerk-Treasurer, and Betty Gipe, Town Council member.