

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

EXAMINATION REPORT
OF
TOWN OF FREDERICKSBURG
WASHINGTON COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
12/10/2010

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|---|--|
| Clerk-Treasurer | Mary Lou Cook George M. Reitz Joseph P. Stilger | 01-01-08 to 08-13-08 08-14-08 to 03-02-09 03-03-09 to 12-31-11 |
| President of the Town Council | * Connie Stilger | 01-01-08 to 03-02-09 03-03-09 to 12-31-10 |

*No Board minutes to document officials or their terms.



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FREDERICKSBURG, WASHINGTON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Fredericksburg (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

September 16, 2010

TOWN OF FREDERICKSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL 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 | \$ (8,798) | \$ 1,563 | \$ 8,732 | \$ (15,967) |
| Motor Vehicle Highway | 7,220 | 2,713 | 2,384 | 7,549 |
| Local Road and Street | 5,292 | 732 | - | 6,024 |
| Donation | 4 | - | - | 4 |
| Cumulative Capital Improvement | 3,957 | 470 | - | 4,427 |
| Economic Development Income Tax | 94 | - | - | 94 |
| Totals | <u>\$ 7,769</u> | <u>\$ 5,478</u> | <u>\$ 11,116</u> | <u>\$ 2,131</u> |
| | | | | |
| | Cash and Investments 01-01-09 | Receipts | Disbursements | Cash and Investments 12-31-09 |
| Governmental Funds: | | | | |
| General | \$ (15,967) | \$ 4,030 | \$ 6,313 | \$ (18,250) |
| Motor Vehicle Highway | 7,549 | 2,468 | 2,642 | 7,375 |
| Local Road and Street | 6,024 | 629 | - | 6,653 |
| Donation | 4 | - | - | 4 |
| Cumulative Capital Improvement | 4,427 | 282 | - | 4,709 |
| Economic Development Income Tax | 94 | - | - | 94 |
| Totals | <u>\$ 2,131</u> | <u>\$ 7,409</u> | <u>\$ 8,955</u> | <u>\$ 585</u> |

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

TOWN OF FREDERICKSBURG
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: highway and streets, culture and recreation, public improvements 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 FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies relating to the recordkeeping to the Town's financial records were noted during the period of examination:

Annual Financial Report

The Annual Financial Reports (CTAR-1) for the years 2008 and 2009 were not presented for examination.

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."

Transaction Recording

Financial records presented for examination were incomplete and not reflective of the activity of the individual funds. For the period of January 1, 2008 through April 30, 2009, receipts, disbursements, and balances were not recorded. Beginning May 1, 2009, the Town began maintaining the ledger of Receipts, Disbursements and Balances for total funds; however, receipts, disbursements, and balances of the individual funds were not maintained.

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

IC 5-11-3 states: "Separate accounts shall be kept for every appropriation or fund of the state or any municipality. Separate accounts shall also be kept for each department, undertaking, enterprise, institution, and public service industry."

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)

Bank Account Reconciliations

Depository reconciliations of the fund balances to the bank account balances were not presented for examination.

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 FREDERICKSBURG
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)

Overdrawn Cash Balances

The cash balance of the General Fund was overdrawn at December 31, 2008 and 2009 by \$15,967 and \$18,250 respectively.

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)

APPROPRIATIONS

The Town did not have legally adopted budgets for the years 2008 and 2009. Therefore, all disbursements during these years from Town funds that required budgets were made in excess of budgeted appropriations. Disbursements for Town funds made in excess of appropriations are as follows:

| Fund | Years | Excess Amount Expended |
|-----------------------|-------|------------------------------|
| General | 2008 | \$ 8,732 |
| Motor Vehicle Highway | 2008 | 2,384 |
| General | 2009 | 6,313 |
| Motor Vehicle Highway | 2009 | 2,642 |

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."

SUPPORTING DOCUMENTATION

Several payments were observed which were not supported by adequate documentation, such as receipts, invoices, and other public records. Due to the lack of supporting information, the validity and accountability for some money disbursed could not be established.

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)

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CASH DISBURSEMENTS

Instances were noted where disbursements were not always made by check. The Town held a pig roast and used the cash from the proceeds to pay for the expenses associated with it. Other instances were noted in which checks were written for cash; the checks were then cashed by the Clerk-Treasurer, and the cash was used to purchase gas for mowing of Town property using the Town tractor. The receipt of the purchase of gas was then attached to the claim.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC RECORDS RETENTION

Claims and the supporting documentation for payment of the claim for the period of January 1, 2008 through August 17, 2008 were not presented for examination. The only Board minutes made available for examination were for the time period of August 3, 2009 to current. Receipts from January 1, 2008 to March 22, 2009 were not made available for review. The Town also had to request copies of bank statements from January 2008 through July 2008 from their financial institution as the originals had not been retained for examination.

IC 5-15-6-3(f) concerning destruction of public records, states in part: "Original records may be disposed of only with the approval of the commission according to guidelines established by the commission."

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)

RISK OF LOSS

The Town does not have an insurance policy or self-insurance plan in place to cover torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters.

The governmental unit should ensure it is adequately protected for all risks of loss. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

Mary Lou Cook, Clerk-Treasurer from January 1, 2008 through August 13, 2008, had not obtained and filed a surety bond.

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. . . ."

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

IC 5-4-1-18 states in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any)."

TOWN OF FREDERICKSBURG
EXIT CONFERENCE

The contents of this report were discussed on September 16, 2010, with Joseph P. Stilger, Clerk-Treasurer, and Connie Stilger, President of the Town Council. The officials concurred with our findings.