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

EXAMINATION REPORT  
OF  
TOWN OF WALLACE  
FOUNTAIN COUNTY, INDIANA  
November 1, 2008 to December 31, 2009



**FILED**  
12/14/2010



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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Amanda Brown	02-01-07 to 12-31-08
	(Vacant)	01-01-09 to 02-28-09
	Marilyn K. Sowers	03-01-09 to 12-31-12
President of the Town Council	Tony Shuman	11-01-08 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 WALLACE, FOUNTAIN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Wallace (Town), for the period of November 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 period ended December 31, 2008 and the year ended December 31, 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 23, 2010

TOWN OF WALLACE  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL FUND TYPES  
As Of And For The Fourteen Months Ended December 31, 2009

	Cash and Investments 11-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ (4,538)	\$ 1,570	\$ 632	\$ (3,600)
Motor Vehicle Highway	9,777	-	-	9,777
Local Road and Street	(1,978)	-	-	(1,978)
Donation	40	-	-	40
Cumulative Capital Improvement	691	-	-	691
Cumulative Capital Development	847	-	-	847
Totals	<u>\$ 4,839</u>	<u>\$ 1,570</u>	<u>\$ 632</u>	<u>\$ 5,777</u>

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ (3,600)	\$ 9,536	\$ 8,958	\$ (3,022)
Motor Vehicle Highway	9,777	4,667	-	14,444
Local Road and Street	(1,978)	4,281	-	2,303
Donation	40	-	-	40
Cumulative Capital Improvement	691	2,720	-	3,411
Cumulative Capital Development	847	-	-	847
Totals	<u>\$ 5,777</u>	<u>\$ 21,204</u>	<u>\$ 8,958</u>	<u>\$ 18,023</u>

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

TOWN OF WALLACE  
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, 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). Ordinarily, taxes may be paid in two equal installments which become delinquent if not paid by May 10 and November 10, respectively. In 2008, installments were due November 10, 2008 and January 12, 2009.

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 WALLACE  
EXAMINATION RESULTS AND COMMENTS

OFFICIAL BOND

The following official bond was not filed in the Office of the County Recorder and was not in the proper amount:

Marilyn K. Sowers

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. . . ."

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping were present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the period of examination.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted and checks and receipts not recorded in the proper amounts. All transactions were recorded in the same ledger, regardless of fund. An attempt was later made to recreate the ledger by fund, but the process was not completed. Neither ledger was footed.

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)

- (3) Not all minutes of meetings of the governing body were available for examination. The minutes that were presented did not include a record of votes and were not signed or certified.

IC 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

TOWN OF WALLACE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

- (4) Accounts payable vouchers were not presented for examination for seven of twenty items tested. There was not any supporting documentation for six disbursements. Of the disbursements for which claims were presented: one travel claim was paid at the wrong rate and the miles traveled were not shown on the voucher; five of the disbursements did not show board approval; and four of the disbursements were not certified by the clerk-treasurer.

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)

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)

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;
- (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."

OVERDRAWN FUND BALANCES

The General Fund and Local Road and Street Funds were overdrawn in 2008 and the General fund was overdrawn in 2009.

The fund 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)

TOWN OF WALLACE  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

The Town did not comply with directives of the Internal Revenue Service by failing to withhold payroll taxes or issue W-2's to the employees.

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)

APPROPRIATIONS

The Town did not have an approved budget for 2009; therefore, the General Fund expenditures exceeded appropriations by \$8,958.

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 WALLACE  
EXIT CONFERENCE

The contents of this report were discussed on September 23, 2010, with Marilyn K. Sowers, Clerk-Treasurer, and Tony Shuman, President of the Town Council. The officials concurred with our findings.