

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

EXAMINATION REPORT

OF

TOWN OF VEVAY

SWITZERLAND COUNTY, INDIANA

January 1, 2008 to December 31, 2009



FILED
12/20/2010

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Donna Graham	01-01-08 to 12-31-11
President of the Town Council	Tye Sullivan	01-01-08 to 12-31-10
Utilities Superintendent	Terry Brindley	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 VEVAY, SWITZERLAND COUNTY, INDIANA

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

October 12, 2010

TOWN OF VEVAY
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		Cash and Investments	
	01-01-08	Receipts	Disbursements	12-31-08
Governmental Funds:				
General	\$ 60,254	\$ 636,942	\$ 573,157	\$ 124,039
Motor Vehicle Highway	92,341	46,147	119,610	18,878
Local Road and Street	35,610	5,838	22,501	18,947
Park and Recreation	3,662	21,543	25,201	4
Park and Recreation Donation	10,092	36,500	41,042	5,550
Animal Shelter	349	446	795	-
Law Enforcement Continuing Education	1,366	5,394	6,753	7
Riverboat	971,319	899,233	1,341,656	528,896
Cemetery Paved Street Donation	1,885	-	-	1,885
Nine West Building	421,887	16,700	-	438,587
Cumulative Capital Improvement	63,797	5,642	56,577	12,862
Nonreverting Storm Drain	67,963	8,805	-	76,768
Trash	(13,251)	91,299	77,267	781
Cemetery	(724)	48,621	34,264	13,633
Police Equipment	41,085	16,279	4,580	52,784
Proprietary Funds:				
Water Utility - Operating	64,723	182,580	205,335	41,968
Water Utility - Depreciation	2,224	-	-	2,224
Water Utility - Customer Deposit	16,106	375	50	16,431
Water Utility - Construction	62,258	-	-	62,258
Wastewater Utility - Operating	26,732	257,042	249,251	34,523
Wastewater Utility - Bond and Interest	33,852	699	-	34,551
Wastewater Utility - Depreciation	54,800	-	19,837	34,963
Wastewater Utility - Reserve	39,606	-	-	39,606
Wastewater Utility - Customer Deposit	8,522	280	40	8,762
Wastewater Utility - Construction	(19,836)	19,836	-	-
Fiduciary Funds:				
Cemetery Perpetual Care	192,602	49,471	-	242,073
Payroll	90	563,625	563,715	-
Totals	\$ 2,239,314	\$ 2,913,297	\$ 3,341,631	\$ 1,810,980

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
Governmental Funds:				
General	\$ 124,039	\$ 495,477	\$ 505,182	\$ 114,334
Motor Vehicle Highway	18,878	45,241	58,726	5,393
Local Road and Street	18,947	5,550	31,105	(6,608)
Park and Recreation	4	33,964	23,621	10,347
Park and Recreation Donation	5,550	106,147	104,969	6,728
Animal Shelter	-	125	100	25
Law Enforcement Continuing Education	7	2,577	-	2,584
Riverboat	528,896	1,138,121	960,619	706,398
Cemetery Paved Street Donation	1,885	-	-	1,885
Nine West Building	438,587	12,631	-	451,218
Cumulative Capital Improvement	12,862	5,320	-	18,182
Nonreverting Storm Drain	76,768	8,707	-	85,475
Trash	781	75,621	93,960	(17,558)
Cemetery	13,633	36,511	46,135	4,009
Police Equipment	52,784	3,672	55,096	1,360
Rainy Day	-	-	22,811	(22,811)
Proprietary Funds:				
Water Utility - Operating	41,968	187,982	183,607	46,343
Water Utility - Depreciation	2,224	-	-	2,224
Water Utility - Customer Deposit	16,431	375	50	16,756
Water Utility - Construction	62,258	-	-	62,258
Wastewater Utility - Operating	34,523	279,111	253,504	60,130
Wastewater Utility - Bond and Interest	34,551	177	-	34,728
Wastewater Utility - Depreciation	34,963	-	26,015	8,948
Wastewater Utility - Reserve	39,606	-	-	39,606
Wastewater Utility - Customer Deposit	8,762	300	20	9,042
Fiduciary Funds:				
Cemetery Perpetual Care	242,073	7,698	-	249,771
Payroll	-	542,481	538,165	4,316
Totals	\$ 1,810,980	\$ 2,987,788	\$ 2,903,685	\$ 1,895,083

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

TOWN OF VEWAY
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 (police and fire), highways and streets, sanitation, culture and recreation, public improvements, planning and zoning, urban redevelopment, 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.

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 VEVAY
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 6. Switzerland County Natural Gas Company, Inc.

In 1989, the Town of Vevay received Switzerland County Natural Gas Company, Inc., (Switzco) common stock as a gift from the Paul Ogle Foundation, Inc. The Town owns 533 shares or 26.7% of the 2000 shares of stock outstanding. The following is summarized information from Switzco's audited financial statements at December 31, 2009:

Current assets	\$ 631,858
Noncurrent assets	1,920,657
Current liabilities	625,155
Noncurrent liabilities	1,732,954
Stockholders' equity	193,406
Operating income	14,231
Net loss	(820)
Dividends paid	3,000

In 2008 and 2009, the Town received \$800 of the dividends declared by Switzco.

The above financial information is not included in the Schedule of Receipts, Disbursements, and Cash and Investment Balances.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS

DEFICIT CASH BALANCES (Applies to Town Council and Clerk-Treasurer)

The following funds incurred deficit cash balances at December 31, 2009:

FUND	2009
Rainy Day	\$ 22,811
Trash	17,558
Local Roads and Streets	6,608

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)

A similar comment was made in prior Report B33719.

APPROPRIATIONS (Applies to Town Council and Clerk-Treasurer)

Expenditures exceeded approved appropriations as follows:

1. Funds requiring approval by the Town Council and the Indiana Department of Local Government Finance:

FUND	2008	2009
General	\$ 73,657	\$ 52,726
Park	5,271	3,221
Cemetery	-	4,028
Local Roads and Streets	-	3,105

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."

2. The Town expended \$1,341,656 and \$960,619 in the years 2008 and 2009, respectively, from the Riverboat Fund without annual appropriations being approved by the Town Council.

IC 36-5-4-2 states in part: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body . . ."

A similar comment was made in prior Reports B28601 and B33719.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

FINANCIAL INFORMATION NOT RECORDED IN THE
FINANCIAL RECORDS (Applies to Clerk-Treasurer)

The following financial information was not recorded in the financial records:

1. Investments in the amounts of \$985,766 and \$1,096,325 at December 31, 2008 and 2009, respectively.
2. Interest earned and other receipts in the amounts of \$37,889 and \$24,400 during the years 2008 and 2009, respectively.

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)

A similar comment was made in prior Report B33719.

ANNUAL REPORTS (Applies to Clerk-Treasurer)

The prescribed Form CTAR-1, Annual City and Town Financial Report, was not filed for the year 2008.

Form CTAR-1 was filed for 2009; however, various parts of the report were not completed, partially completed, or completed inaccurately as described below:

1. Investment balances of \$985,766 and \$1,096,325 on January 1 and December 31 were not included in the report Part 1, Statement of Receipts, Disbursements, Cash Balances, and Investment Balances.
2. Trash Fund disbursements of \$93,960 were reported as receipts in Part 2, Receipts.
3. Cemetery Fund receipts of \$36,511 were reported as Cemetery Perpetual Maintenance Fund receipts in Part 2, Receipts.
4. Cemetery Fund disbursements of \$36,511 were reported as Cemetery Perpetual Maintenance Fund disbursements in Part 3, Disbursements.
5. The total December 31, 2009, balance reported in Part 5, Cash and Investments, was understated by \$875,076.
6. Part 11, Financial Assistance to Nongovernmental Entities, was not completed.

The insufficient completion of the parts of the City and Town Annual Report that are required to be published (Part 1– Statement of Receipts, Disbursements, Cash Balances and Investment Balances) resulted in the under reporting of cash and investments on December 31, 2008 and 2009.

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)

A similar comment was made in prior Report B33719.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

DONATIONS (Applies to Town Council)

Town Council authorized donations of \$85,200 and \$103,500 to be paid to various not-for-profit organizations in 2008 and 2009, respectively. There were no contracts or written agreements presented for examination showing what services were provided to the Town.

Indiana Code 36-10-2-4 allows a city or town to establish, aid, maintain, and operate libraries and museums, cultural, historical, and scientific facilities and programs, and community service facilities and programs. If a city or town desires to fund one of the aforementioned programs or activities, a contract should be entered into setting out what services are to be provided to the city or town. (Cities and Towns Bulletin and Uniform Compliance Guideline, September 2002)

Governmental funds should not be donated or given to other organizations, individuals, or governmental units unless specifically authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior Reports B28601 and B33719.

LOCAL PENSION PLAN (Applies to Town Council)

On December 11, 2000, the Town Council approved a local pension plan covering all full-time Town and Utilities employees. WMA Securities was hired to administer the plan. The Town made a lump sum payment to cover past service costs and began paying 3% of each participating full-time employee's salary beginning in 2001 and has continued contributing to the plan each year thereafter.

Pursuant to Indiana Code 5-10.2-2-1, a city or town has no authority to establish a local pension plan by ordinance, resolution, or contract after January 1, 1995, without statutory authority. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior reports covering the period of January 1, 2001 through December 31, 2007, and the most recent Report B33719.

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer, Water Utility and Wastewater Utility)

The Town and the Utilities do not have detailed capital asset records.

Every governmental unit should have a complete inventory of all capital assets owned which reflects their acquisition value. Such inventory should be recorded on the applicable Capital Asset 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)

A similar comment was made in prior Reports B28601 and B33719.

OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer, Water Utility, and Wastewater Utility)

Canceled checks and/or optical images of canceled checks were not returned by the Town's financial institution with the monthly bank statements or did not contain all the information required as described below:

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

1. No canceled checks or optical images of canceled checks were returned for checks processed through the Town's payroll checking account.
2. The optical images of canceled checks returned on checking accounts used to process payments to vendors did not have a copy of the backside (endorsement side) of the check. The optical images of the front side of these canceled checks were small in size and were not always legible.

IC 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' includes the optical image of a check or deposit document when:

- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, IC 26-2-8-111 states in part:

"(a) f a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise; and
- (2) remains accessible for later reference."

"(e) f a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

A similar comment was made in prior Reports B28601 and B33719.

ADJUSTMENTS (Applies to Town Council)

No formal written policy approved by the Town Council for making adjustments to customer accounts was presented for examination. A memorandum entry describing the cause for a write-off is prepared by the Clerk-Treasurer.

The governing body of a governmental unit should have a written policy concerning a procedure for the writing off of bad debts, uncollectible accounts receivable, or any adjustments to record balances. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Officials or employees authorizing, directing or executing write-offs or adjustments to records which are not documented or warranted may be held personally responsible. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior Report B33719.

TOWN OF VEVAY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OFFICIAL BOND (Applies to Clerk-Treasurer and Town Council)

We noted the following regarding the official bond for the Clerk-Treasurer:

1. The amount of the Clerk-Treasurer's current annual official bond is \$15,000. According to the 2009 annual report, the Clerk-Treasurer's office processed \$2,429,821 in receipts.

IC 5-4-1-18 (c) states in part:

". . . the fiscal bodies of the respective units shall fix the amount of the bond of . . . town clerk-treasurers . . . (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond . . ."

2. The 2010 official bond was not filed in the county recorder's office.

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

"Every elected or appointed officer . . . of a political subdivision who is required . . . to file an official bond for the faithful performance of duty . . . shall file the bond in the office of the county recorder . . ."

A similar comment was made in the prior Report B33719.

UTILITY RECEIPTS TAX RETURNS (Applies to Clerk-Treasurer)

No annual utility receipts tax returns were filed for the examination period; however, quarterly returns were filed and remittances of taxes were made.

IC 6-2.3-6-2 (a) states in part:

"Every taxpayer who receives more than one thousand dollars (\$1,000) in gross receipts during a particular taxable year shall file with the department an annual utility receipts tax return . . ."

All questions concerning the law or procedure for paying the utility receipts tax should be directed to the Indiana Department of Revenue, Indiana Government Center North, Indianapolis, Indiana, 46204, telephone number (317) 615-2662. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment was made in prior Report B33719.

TOWN OF VEVAY
EXIT CONFERENCE

The contents of this report were discussed on October 12, 2010, with Donna Graham, Clerk-Treasurer, and Kirk Works, Town Council member. The officials concurred with our findings.