

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

EXAMINATION REPORT  
OF  
TOWN OF VERSAILLES  
RIPLEY COUNTY, INDIANA  
January 1, 2008 to December 31, 2009



**FILED**  
02/09/2011



## 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:	
Disbursements in Excess of Appropriations .....	8
Capital Asset Records .....	8
Youth League Financial Activity .....	8-9
Youth League Internal Controls .....	9
Customer Deposit Register Not Reconciled .....	9-10
Annual Report.....	10
Cash Necessary to Balance – Bank Reconciliations.....	10-11
Additional Compensation Paid to Town Manager .....	11
Exit Conference.....	12

OFFICIALS

Office

Official

Term

Clerk-Treasurer

Kiersten Libby

01-01-08 to 12-31-11

President of the  
Town Council

John Holzer

01-01-08 to 12-31-11



**STATE OF INDIANA**  
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF VERSAILLES, RIPLEY COUNTY, INDIANA

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

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. The Schedule 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

January 4, 2011

TOWN OF VERSAILLES  
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES  
ALL GOVERNMENTAL 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
<b>Governmental Funds:</b>				
General	\$ 110,916	\$ 761,208	\$ 574,597	\$ 297,527
Motor Vehicle Highway	(1,450)	114,899	91,531	21,918
Local Road and Street	2,321	7,976	4,961	5,336
Park and Recreation	2,210	23,353	12,264	13,299
Law Enforcement Continuing Education	1,708	1,134	14	2,828
Riverboat	324,622	206,960	77,463	454,119
Economic Development Income Tax	47,630	26,638	38,133	36,135
Industrial Park Gift	7,040	-	-	7,040
Belterra	11,895	23,826	-	35,721
Rising Sun Foundation Grant	-	76,500	13,430	63,070
Tyson Fund	476,271	427,750	433,877	470,144
Riverboat Wagering Tax Revenue Sharing	16,265	22,441	-	38,706
Rainy Day	19,239	-	1,637	17,602
Cumulative Capital Improvement	36,555	5,802	526	41,831
Sidewalk Project	3,768	50	3,793	25
Cumulative Capital Development - Fire Building Debt	(546)	94,953	92,493	1,914
Police - Other Fund	323	6,225	1,656	4,892
MVH - Major Moves	24,355	-	5,819	18,536
<b>Proprietary Funds:</b>				
Water Utility - Operating	136,671	426,143	416,253	146,561
Water Utility - Bond and Interest	5,322	91	-	5,413
Water Utility - Depreciation	71,828	-	-	71,828
Water Utility - Customer Deposit	48,118	6,975	4,863	50,230
Wastewater Utility - Operating	306,570	334,520	442,871	198,219
Wastewater Utility - Bond and Interest	230,571	3,953	-	234,524
Wastewater Utility - Depreciation	6,256	-	-	6,256
Wastewater Utility - Debt Service Reserve	95,359	2,772	-	98,131
Water and Wastewater Utility Clearing Account	72,085	798,247	785,169	85,163
<b>Fiduciary Funds:</b>				
Town Court	206,702	466,380	516,674	156,408
L.E.C.E. User Fees	18,912	9,688	9,329	19,271
Payroll	(540)	424,723	414,045	10,138
<b>Totals</b>	<b>\$ 2,280,976</b>	<b>\$ 4,273,207</b>	<b>\$ 3,941,398</b>	<b>\$ 2,612,785</b>

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
<b>Governmental Funds:</b>				
General	\$ 297,527	\$ 581,689	\$ 481,178	\$ 398,038
Motor Vehicle Highway	21,918	104,396	89,113	37,201
Local Road and Street	5,336	7,250	11,635	951
Park and Recreation	13,299	44,058	33,282	24,075
Law Enforcement Continuing Education	2,828	979	-	3,807
Riverboat	454,119	103,597	185,216	372,500
Economic Development Income Tax	36,135	47,627	45,201	38,561
Industrial Park Gift	7,040	-	-	7,040
Belterra	35,721	23,269	-	58,990
Rising Sun Foundation Grant	63,070	-	60,962	2,108
Tyson Fund	470,144	448,727	438,907	479,964
Riverboat Wagering Tax Revenue Sharing	38,706	11,164	-	49,870
Rainy Day	17,602	-	4,771	12,831
Cumulative Capital Improvement	41,831	5,470	675	46,626
Sidewalk Project	25	-	-	25
Cumulative Capital Development - Fire Building Debt	1,914	2,113	5,830	(1,803)
Police - Other Fund	4,892	644	2,059	3,477
MVH - Major Moves	18,536	-	-	18,536
Federal Grants	-	292,664	284,974	7,690
<b>Proprietary Funds:</b>				
Water Utility - Operating	146,561	445,781	555,589	36,753
Water Utility - Bond and Interest	5,413	110,562	109,800	6,175
Water Utility - Depreciation	71,828	-	-	71,828
Water Utility - Customer Deposit	50,230	14,575	5,224	59,581
Wastewater Utility - Operating	198,219	316,575	340,689	174,105
Wastewater Utility - Bond and Interest	234,524	1,649	-	236,173
Wastewater Utility - Depreciation	6,256	-	-	6,256
Wastewater Utility - Debt Service Reserve	98,131	2,190	-	100,321
Water and Wastewater Utility Clearing Account	85,163	799,659	720,754	164,068
<b>Fiduciary Funds:</b>				
Town Court	156,408	304,838	341,965	119,281
L.E.C.E. User Fees	19,271	7,211	11,631	14,851
Payroll	10,138	420,011	418,919	11,230
<b>Totals</b>	<b>\$ 2,612,785</b>	<b>\$ 4,096,698</b>	<b>\$ 4,148,374</b>	<b>\$ 2,561,109</b>

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

TOWN OF VERSAILLES  
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, highway and streets, culture and recreation, public improvements, planning and zoning, sanitation, general administrative services, water, wastewater, and urban redevelopment.

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.

TOWN OF VERSAILLES  
NOTES TO FINANCIAL INFORMATION  
(Continued)

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.

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 VERSAILLES  
 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
Governmental activities:		
Capital leases:		
Police truck	\$ 9,650	\$ 10,213
Bonds payable:		
General obligation bonds:		
Firehouse construction	<u>14,000</u>	<u>3,700</u>
Total governmental activities debt	<u>\$ 23,650</u>	<u>\$ 13,913</u>
Business-type activities:		
Water Utility:		
Loans:		
Water plant improvements	\$ 433,814	\$ 78,091
Revenue bonds:		
1991 waterworks improvement bonds	<u>665,000</u>	<u>111,600</u>
Total Water Utility	<u>1,098,814</u>	<u>189,691</u>
Wastewater Utility:		
Revenue bonds:		
2004 sewerworks improvement bonds	<u>600,000</u>	<u>13,538</u>
Total business-type activities debt	<u>\$ 1,698,814</u>	<u>\$ 203,229</u>

TOWN OF VERSAILLES  
EXAMINATION RESULTS AND COMMENTS

DISBURSEMENTS IN EXCESS OF APPROPRIATIONS (Applies to Clerk-Treasurer and Town Council)

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

Fund	2008	2009
General Fund	\$ 34,086	\$ -
Local Road and Street	-	3,475
Cumulative Capital Development - Fire Building Debt	-	1,679
Totals	\$ 34,086	\$ 5,154

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."

IC 36-5-4-2 states: "Unless a statute provides otherwise, town monies may be disbursed only after an appropriation made by ordinance of the town legislative body and recorded in a book kept for that purpose by the legislative body. Each appropriation must be made from the fund against which the expenses arose."

CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer and Utilities)

The Town does not maintain sufficient detailed records of capital assets for its governmental or enterprise fund activities. No inventory of capital assets has been taken. In addition, deletions and disposals of capital assets are not recorded.

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 Report B33623.

YOUTH LEAGUE FINANCIAL ACTIVITY (Applies to Clerk-Treasurer and Town Council)

A bank account was opened in March of the year 2009 in the name of the Town to account for the collection of funds for youth league activities at the Tyson Memorial Sports Complex owned by the Town. Total deposits and checks processed through this account were \$29,695 and \$24,753, respectively. The account balance at December 31, 2009, was \$4,942. The Clerk-Treasurer signed the checks; however, these checks were not recorded on the Clerk-Treasurer's funds ledger and expenditures were not approved by the Town Council.

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)

TOWN OF VERSAILLES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

IC 5-11-10-1.6(c) states in part:

"The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless . . . (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."

The above financial activity was accounted for on the Clerk-Treasurer's record beginning in the year 2010.

YOUTH LEAGUE INTERNAL CONTROLS (Applies to Clerk-Treasurer and Town Council)

We noted the following internal control deficiencies regarding the collections of funds at the Tyson Memorial Sports Complex owned by the Town:

1. Application fees are collected from participants of the various youth league activities. However, no receipts or applications were presented for examination to support the accuracy of the amount of fees collected and remitted to the Clerk-Treasurer.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

2. Concessions were sold during various youth league activities. However, no accounting records were presented for examination to support the accuracy of the concessions sales collected and remitted to the Clerk-Treasurer.

Internal controls over vending operations, concessions or other sales should include, at a minimum, a regular reconciliation of the beginning inventory, purchases, distributions, items sold and ending inventory to the amount received. Any discrepancies noted should be immediately documented in writing to proper officials. The reconciliation should provide an accurate accounting. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CUSTOMER DEPOSIT REGISTER NOT RECONCILED (Applies to Clerk-Treasurer and Water Utility)

The total outstanding deposits recorded in the Water Utility's detailed customer deposit register did not reconcile with the cash and investment balance recorded on the funds ledger for the Customer Deposit Fund at December 31, 2009. The Customer Deposit Fund cash and investment balance exceeded the customer deposit register balance by \$1,251.20. The following factors contributed to the variance:

TOWN OF VERSAILLES  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

1. When a customer deposit was refunded, the portion of the deposit applied to the customer's outstanding account was transferred from the Customer Deposit Fund to the Water Utility Operating Fund. However, the remaining portion of the deposit due the customer was paid from the Operating Fund and not the Customer Deposit Fund. The refund paid to the customer from the Operating Fund was not always reimbursed from the Customer Deposit Fund.

We recommended that any deposits refunded to customers also be paid from the Customer Deposit Fund.

2. We noted instances of customer deposit receipts and payments not recorded on the detailed customer deposit register.

A similar comment was made in Report B33623.

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)

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORT (Applies to Clerk-Treasurer)

The 2008 and 2009 City and Town Annual Reports (CTAR-1), that report the financial activity and cash and investment balances, were not filed with the Indiana State Board of Accounts.

IC 5-11-1-4 states in part:

"The state examiner shall require from every . . . local governmental unit . . . financial reports covering the full period of each fiscal year. These reports shall be . . . 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 . . ."

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)

CASH NECESSARY TO BALANCE, BANK RECONCILIATIONS (Applies to Clerk-Treasurer)

A comparison of the record balance to the bank balance at December 31, 2009, showed cash necessary to balance of \$1,079.29. Kiersten Libby, Clerk-Treasurer, stated that when she began her term on January 1, 2008, she was not familiar with the payroll process or the software used in the Clerk-Treasurer's office and failed to record net salaries for several months. She realized her mistake in October 2008 and made the correction to her records. The variance of \$1,079.29 has remained the same since October 2008.

TOWN OF VERSAILLES  
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)

We recommended that Kiersten Libby perform reconciling procedures to identify the specific instances causing the reconciling variance.

ADDITIONAL COMPENSATION PAID TO TOWN MANAGER  
(Applies to Clerk-Treasurer and Town Council)

The Town Manager received additional compensation of \$500 in the year 2008 and \$500 in the year 2009 which was not included in the salary ordinance or the Town's personnel policy. Kiersten Libby, Clerk-Treasurer, stated the Town Manager received the additional compensation in lieu of the Town providing the Town Manager health insurance coverage.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

The Town Council agreed to retroactively approve the additional compensation paid to the Town Manager during the years 2008 and 2009 at a future Council meeting.

TOWN OF VERSAILLES  
EXIT CONFERENCE

The contents of this report were discussed on January 4, 2011, with Kiersten Libby, Clerk-Treasurer, and John Holzer, President of the Town Council. The officials concurred with our findings.