

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

EXAMINATION REPORT
OF
TOWN OF RUSSIAVILLE
HOWARD COUNTY, INDIANA
January 1, 2009 to December 31, 2010



FILED
05/11/2011

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:	
Customer Deposit Register	8
Capital Asset Records	8
Daily Deposits.....	8
Timely Recordkeeping.....	8-9
Bank Account Reconciliations	9
Transaction Recording	9
Service and Time Records	9
Errors on Claims.....	9-10
Appropriations Overspent.....	10
Ordinances and Resolutions	10-11
Rate Ordinance.....	11
Exit Conference.....	12

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Linda Downey	01-01-08 to 12-31-11
President of the Town Council	Mark Fulk	01-01-09 to 12-31-11
Superintendent of the Water Utility	Cory Martin	01-01-09 to 12-31-11
Superintendent of the Wastewater Utility	William Whitman	01-01-09 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 RUSSIAVILLE, HOWARD COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Russiaville (Town), for the period of January 1, 2009 to December 31, 2010. 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, 2009 and 2010, 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

March 14, 2011

TOWN OF RUSSIAVILLE
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, 2009 And 2010

	Cash and Investments		Cash and Investments	
	01-01-09	Receipts	Disbursements	12-31-09
Governmental Funds:				
General	\$ 85,348	\$ 303,896	\$ 330,262	\$ 58,982
Motor Vehicle Highway	31,339	89,504	111,500	9,343
Local Road and Street	25,843	9,645	22,653	12,835
Law Enforcement Continuing Education	4,413	1,888	3,210	3,091
Riverboat	34,802	6,833	26,400	15,235
Rainy Day	10,449	-	-	10,449
Donation	1,000	-	910	90
Cumulative Capital Improvement	24,663	3,349	8,134	19,878
Cumulative Capital Development	30,168	9,845	5,175	34,838
County Economic Development Income Tax	47,850	14,312	3,581	58,581
Trash Disposal	965	58,602	55,577	3,990
Operation Pullover	239	-	-	239
Proprietary Funds:				
Water Utility - Operating	6,281	189,998	187,950	8,329
Water Utility - Bond and Interest	31,511	94,260	94,258	31,513
Water Utility - Depreciation	-	175	-	175
Water Utility - Customer Deposit	4,340	-	-	4,340
Water Utility - Debt Service Reserve	91,995	18,852	40,900	69,947
Wastewater Utility - Operating	7,446	142,240	142,945	6,741
Wastewater Utility - Bond and Interest	-	85,835	85,835	-
Wastewater Utility - Depreciation	-	3,286	-	3,286
Wastewater Utility - Debt Service Reserve	90,569	-	-	90,569
Fiduciary Fund:				
Payroll	-	234,857	234,857	-
Totals	\$ 529,221	\$ 1,267,377	\$ 1,354,147	\$ 442,451

	Cash and Investments		Cash and Investments	
	01-01-10	Receipts	Disbursements	12-31-10
Governmental Funds:				
General	\$ 58,982	\$ 309,706	\$ 335,157	\$ 33,531
Motor Vehicle Highway	9,343	71,869	66,968	14,244
Local Road and Street	12,835	9,824	-	22,659
Law Enforcement Continuing Education	3,091	1,035	-	4,126
Riverboat	15,235	6,834	20,738	1,331
Rainy Day	10,449	7,660	6,614	11,495
Donation	90	3,433	2,050	1,473
Cumulative Capital Improvement	19,878	3,197	22,135	940
Cumulative Capital Development	34,838	12,110	26,414	20,534
County Economic Development Income Tax	58,581	14,137	-	72,718
Trash Disposal	3,990	54,263	52,931	5,322
Operation Pullover	239	-	-	239
Donations Community Center	-	3,839	-	3,839
Levy Excess	-	632	-	632
Community Center Grant	-	322,449	322,449	-
Proprietary Funds:				
Water Utility - Operating	8,329	178,187	182,556	3,960
Water Utility - Bond and Interest	31,513	94,260	94,258	31,515
Water Utility - Depreciation	175	135	-	310
Water Utility - Customer Deposit	4,340	-	10	4,330
Water Utility - Debt Service Reserve	69,947	18,852	45,396	43,403
Wastewater Utility - Operating	6,741	128,543	130,618	4,666
Wastewater Utility - Bond and Interest	-	82,835	82,835	-
Wastewater Utility - Depreciation	3,286	1,177	4,463	-
Wastewater Utility - Debt Service Reserve	90,569	-	-	90,569
Fiduciary Fund:				
Payroll	-	227,029	227,029	-
Totals	\$ 442,451	\$ 1,552,006	\$ 1,622,621	\$ 371,836

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

TOWN OF RUSSIAVILLE
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, health and social services, culture and recreation, water treatment and distribution, wastewater collection and treatment, 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.

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 RUSSIAVILLE
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.

Note 7. New London Conservancy District

For the past three years, the Town has essentially assumed control of the New London Conservancy District (District) operations and has been in the process of officially taking over the assets and liabilities of the district. The District is located about one mile due north of the Town. The District currently has 64 customers and averages \$52 a month per customer in revenue. The District was established for wastewater services only. The District's Board has disbanded.

Note 8. Subsequent Event

Community Center Building Project

On August 5, 2010, the Town Council signed a \$540,000 contract with Beau Mitchell Construction for the construction of a new community center building located at the Town Park. As of December 31, 2010, change orders of \$45,445 have increased the cost of the project. The Town applied for and received a \$500,000 Community Development Block Grant to help fund the cost of the community center. Payments towards the project in 2010 totaled \$307,449 leaving an outstanding balance of \$277,996 remaining on the contract as of December 31, 2010.

TOWN OF RUSSIAVILLE
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 December 31, 2010

The Town has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental activities:		
Notes and loans payable:		
Community center land loan of 2010	\$ 144,000	\$ 10,222
Total governmental activities debt	<u>\$ 144,000</u>	<u>\$ 10,222</u>
Business-type activities:		
Water Utility:		
Revenue bonds:		
Waterworks Revenue Bonds of 2004	\$ 1,109,935	\$ 94,258
Total Water Utility	<u>1,109,935</u>	<u>94,258</u>
Wastewater Utility:		
Revenue bonds:		
Sewage Works Revenue Bonds of 1995	<u>490,000</u>	<u>84,835</u>
Total Wastewater Utility	<u>490,000</u>	<u>84,835</u>
Total business-type activities debt:	<u>\$ 1,599,935</u>	<u>\$ 179,093</u>

TOWN OF RUSSIAVILLE
EXAMINATION RESULTS AND COMMENTS

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal. This was also a comment in the prior Report B35409.

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)

CAPITAL ASSET RECORDS

The Town and Utilities presented capital asset records that included transactions and balances through the year 2009, but these records were not maintained for the year 2010.

Every governmental unit should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets 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)

DAILY DEPOSITS

In numerous instances, receipts were deposited later than the next business day. Utility collections were sometimes deposited up to 14 days after the date of collection.

IC 5-13-6-1(d) states:

"A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

TIMELY RECORDKEEPING

We noted instances of up to six weeks from the original date of a transaction until entry on the records. The Clerk-Treasurer's bank reconciliation for the Wastewater Utility as of December 31, 2010, had included an outstanding check 1072 in the amount of \$4,463.68. This check was posted in December of 2010, to the Wastewater simplified cash journal, but this check was actually written on February 23, 2011.

We also noted instances where receipts were posted to the records prior to actual receipt of the monies. Property tax distributions that were dated January 5, 2011, and were deposited on January 7, 2011, were posted to the December 2010 Town funds ledger and put onto the Clerk-Treasurer's December 31, 2010, bank reconciliation as deposits in transit. We informed the Clerk-Treasurer that she is to write receipts when the money is actually received, to maintain cash basis records, and to post records in a timely manner.

TOWN OF RUSSIAVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (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 presented for review, but were not properly completed.

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."

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)

TRANSACTION RECORDING

Some items, such as payroll expenses of the Wastewater Utility, were not entered in the records of the Wastewater Utility. Payroll expenses for the Wastewater Utility were subsidized by the Water Utility.

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)

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained.

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)

ERRORS ON CLAIMS

The following deficiencies were noted on claims during the examination period:

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not always adequately itemized.
- (3) All claims did not have board approval.

TOWN OF RUSSIAVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

(4) Claims or invoices did not have evidence to support receipt of goods or services.

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."

APPROPRIATIONS OVERSPENT

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

Fund	Years	Excess Amount Expended
Motor Vehicle Highway	2009	\$ 22,915
Cumulative Capital Improvement	2009	63
Riverboat	2009	5,740

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."

ORDINANCES AND RESOLUTIONS

The Water Utility has a bond ordinance concerning the funding of its debt service reserve (DSR) fund related to its Waterworks Revenue Bonds of 2004. The ordinance requires the DSR fund to accumulate \$94,258 as a margin of safety to protect the bondholders. At December 31, 2008, the Water Utility had accumulated \$91,995. During the years 2009 and 2010, the Water Utility used previously accumulated DSR monies to fund current operations of the Water and Wastewater Utilities. The balance in the DSR fund at December 31, 2010, was \$43,404.

TOWN OF RUSSIAVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Payments or transfers which are not authorized by statute, ordinance or resolution must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

RATE ORDINANCE

The Water and Wastewater Utilities have rate ordinances that call for the application of late fees to be assessed on customer payments that are received after the due date. On several occasions, those late fees were not assessed on customers, including public officials. The water rate ordinance also states that the Water Utility is to charge \$327.63 per public fire hydrant; the Water Utility has not charged this for several years.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF RUSSIAVILLE
EXIT CONFERENCE

The contents of this report were discussed on March 14, 2011, with Mark Fulk, President of the Town Council; Jeff Lipinski, Town Council member; and Linda Downey, Clerk-Treasurer. The officials concurred with our findings.