

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

EXAMINATION REPORT  
OF  
TOWN OF BUNKER HILL  
MIAMI COUNTY, INDIANA  
January 1, 2009 to December 31, 2010



**FILED**  
05/12/2011



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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Norman McBride  
Sarah Betzner

01-01-08 to 12-31-09  
01-01-10 to 12-31-11

President of the  
Town Council

Shelly Dyer  
Leslie Briggs  
Shelly Dyer

01-01-09 to 12-31-09  
01-01-10 to 12-31-10  
01-01-11 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 BUNKER HILL, MIAMI COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Bunker Hill (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 29, 2011

TOWN OF BUNKER HILL  
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 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
<b>Governmental Funds:</b>				
General	\$ 118,228	\$ 263,647	316,750	\$ 65,125
Motor Vehicle Highway	60,586	134,370	122,390	72,566
Local Road and Street	1,994	4,026	-	6,020
Park and Recreation	7,537	10,605	6,078	12,064
Riverboat	85	12,368	8,745	3,708
Rainy Day	6,158	7,227	2,000	11,385
Clerk's Record Perpetuation	12,987	5,830	5,752	13,065
Cumulative Capital Improvement	7,509	3,026	5,000	5,535
CEDIT	18,894	17,170	20,650	15,414
Levy Excess	5,745	-	-	5,745
Unsafe Building	4,000	-	453	3,547
Fire Protection	4,410	15,451	14,835	5,026
Equipment Replacement	3,000	-	-	3,000
User Fee	35,259	48,057	39,819	43,497
Public Safety	-	17,314	11,990	5,324
<b>Proprietary Funds:</b>				
Water Utility - Operating	244	153,993	153,873	364
Water Utility - Bond and Interest	8,209	88,900	83,710	13,399
Water Utility - Depreciation	1,202	-	-	1,202
Water Utility - Reserve	73,378	8,810	20,500	61,688
Water Utility - Customer Deposit	10,004	3,504	2,347	11,161
Wastewater Utility - Operating	102	247,631	247,214	519
Wastewater Utility - Bond and Interest	171	170,300	168,061	2,410
Wastewater Utility - Customer Deposit	10,752	2,550	4,815	8,487
Wastewater Utility - Reserve	19,500	3,700	20,700	2,500
Wastewater Utility - Cash with Fiscal Agent	1,042,343	145,979	670,223	518,099
<b>Fiduciary Fund:</b>				
Payroll	(11,370)	293,127	280,795	962
<b>Totals</b>	<b>\$ 1,440,927</b>	<b>\$ 1,657,585</b>	<b>\$ 2,206,700</b>	<b>\$ 891,812</b>
	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
<b>Governmental Funds:</b>				
General	\$ 65,125	\$ 248,395	\$ 260,676	\$ 52,844
Motor Vehicle Highway	72,566	43,575	77,482	38,659
Local Road and Street	6,020	5,739	-	11,759
Park and Recreation	12,064	371	7,829	4,606
Riverboat	3,708	6,177	-	9,885
Rainy Day	11,385	-	2,674	8,711
Clerk's Record Perpetuation	13,065	3,142	4,997	11,210
Cumulative Capital Improvement	5,535	1,387	-	6,922
CEDIT	15,414	19,258	7,775	26,897
Levy Excess	5,745	-	-	5,745
Unsafe Building	3,547	-	95	3,452
Fire Protection	5,026	5,432	5,026	5,432
Equipment Replacement	3,000	-	523	2,477
User Fee	43,497	68,447	49,313	62,631
Public Safety	5,324	17,867	4,502	18,689
<b>Proprietary Funds:</b>				
Water Utility - Operating	364	169,226	158,407	11,183
Water Utility - Bond and Interest	13,399	86,755	66,395	33,759
Water Utility - Depreciation	1,202	-	-	1,202
Water Utility - Reserve	61,688	-	20,000	41,688
Water Utility - Customer Deposit	11,161	3,200	602	13,759
Wastewater Utility - Operating	519	204,050	207,559	(2,990)
Wastewater Utility - Bond and Interest	2,410	132,001	134,411	-
Wastewater Utility - Customer Deposit	8,487	2,175	955	9,707
Wastewater Utility - Reserve	2,500	25,969	28,469	-
Wastewater Utility - Cash with Fiscal Agent	518,099	138,414	287,929	368,584
<b>Fiduciary Fund:</b>				
Payroll	962	168,124	234,877	(65,791)
<b>Totals</b>	<b>\$ 891,812</b>	<b>\$ 1,349,704</b>	<b>\$ 1,560,496</b>	<b>\$ 681,020</b>

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

TOWN OF BUNKER HILL  
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, planning and zoning 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.

TOWN OF BUNKER HILL  
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 BUNKER HILL  
 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
Business-type activities:		
Water Utility:		
Revenue bonds:		
2002 Waterworks Improvement	\$ 795,000	\$ 84,662
Wastewater Utility:		
Revenue bonds:		
1967 Wastewater Improvement	\$ 10,848	\$ 11,278
2005 Wastewater SRF Loan	244,000	17,917
2007 Wastewater SRF Loan	1,602,000	117,055
Total Wastewater Utility	\$ 1,856,848	\$ 146,250

TOWN OF BUNKER HILL  
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and the Utilities have not updated their capital assets records for 2007, 2008, 2009 and 2010. There was a similar comment in the prior Report B34848.

Every governmental unit should have a complete inventory of all capital assets owned which reflects 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)

DEPOSITS

In numerous instances, receipts were deposited later than the next business day.

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."

CONDITION OF RECORDS

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

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

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 and omissions. These errors and omissions include deposits not receipted or posted, checks and receipts not recorded or recorded in the wrong amounts.

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) Utility journals were not footed nor were disbursements extended into the proper categories.

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)

TOWN OF BUNKER HILL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

ANNUAL REPORT

Annual reports for 2009 and 2010 were not completed, published or presented for audit. A similar comment was noted in the prior three audit reports.

IC 5-11-1-4 (a) concerning annual reports states in part: ". . . 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."

INTERNAL CONTROLS

Controls over the receipting, disbursing, recording, and accounting for the financial activities were insufficient:

- (1) Transactions were not recorded timely and were incomplete. Bank reconciliations were not performed for the last year of the examination period.
- (2) Extensions in the Utility cash journals were incomplete and the journals were not cross footed to ensure accuracy.
- (3) There were no cumulative totals for the disbursement detail columns in the Utility journals.
- (4) The Clerk-Treasurer performed all functions of the office with assistance from a Utility billing clerk. There was a lack of proper segregation of duties. The Town Council reviewed and approved claims, but they did not provide any oversight or review of the accounting records in order to reduce risks.

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)

APPROPRIATIONS

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

TOWN OF BUNKER HILL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
Fire	2009	\$ 343
Local Road and Street	2010	9,568

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."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer for either 2009 or 2010.

IC 6-1.1-22-14(a) states in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

UTILITY RECEIPTS TAX

The Water Utility did not pay utility receipts tax to the Indiana Department of Revenue for either 2009 or 2010.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERDRAWN FUND BALANCES

The Payroll Fund and Wastewater Utility Operating Fund were overdrawn in 2010.

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 BUNKER HILL  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the simplified cash journal.

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)

BOND ORDINANCE REQUIREMENTS

The Water Utility has an ordinance concerning the funding of its Bond and Interest Account and its Debt Service Reserve Account. However, the Utility does not have sufficient funds in the Reserve Account in order to comply with the bond ordinance. The Reserve Account is underfunded by \$50,720.

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)

PAYROLL TRANSFERS

The Town was not reimbursed from the Water or Wastewater Utilities in 2010 for payments made from the Town Payroll Fund for utility workers.

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

TOWN OF BUNKER HILL  
EXIT CONFERENCE

The contents of this report were discussed on March 29, 2011, with Joan Smith, Town Council member, and Sarah Betzner, Clerk-Treasurer. The officials concurred with our findings.