

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

EXAMINATION REPORT
OF
TOWN OF BETHANY
MORGAN COUNTY, INDIANA
January 1, 2008 to December 31, 2009



FILED
05/19/2011

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Howard Cassidy
Melody Schubert

01-01-07 to 12-31-08
01-01-09 to 12-31-11

President of the Town Council

Charles Worley

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 BETHANY, MORGAN COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Bethany (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 Capital Assets and Schedule of Long-Term Debt, as listed in the Table of Contents, are presented for additional analysis and are not required parts of the basic financial information. They have not been subjected to the examination procedures applied to the basic financial information and, accordingly, we express no opinion on them.

STATE BOARD OF ACCOUNTS

March 16, 2011

TOWN OF BETHANY
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 01-01-08	Receipts	Disbursements	Cash and Investments 12-31-08
Governmental Funds:				
General	\$ 7,519	\$ 12,210	\$ 11,924	\$ 7,805
Motor Vehicle Highway	14,552	3,509	1,182	16,879
Local Road and Street	2,759	1,031	50	3,740
Cumulative Capital Improvement	1,291	145	1,436	-
Economic Development Income Tax	3,012	3,742	13,141	(6,387)
Grant - Lake Project	-	20,000	20,000	-
Public Safety - Local Option Income Tax	-	1,260	-	1,260
Proprietary Funds:				
Wastewater Utility - Operating	4,726	12,359	12,573	4,512
Wastewater Utility - Bond and Interest	2,041	6	1,601	446
Totals	<u>\$ 35,900</u>	<u>\$ 54,262</u>	<u>\$ 61,907</u>	<u>\$ 28,255</u>
	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
Governmental Funds:				
General	\$ 7,805	\$ 13,907	\$ 16,112	\$ 5,600
Motor Vehicle Highway	16,879	3,523	1,817	18,585
Local Road and Street	3,740	988	1,754	2,974
Cumulative Capital Improvement	-	289	-	289
Economic Development Income Tax	(6,387)	4,100	1,626	(3,913)
Public Safety - Local Option Income Tax	1,260	1,421	1,650	1,031
Rainy Day	-	1,209	-	1,209
Proprietary Funds:				
Wastewater Utility - Operating	4,512	10,335	9,756	5,091
Wastewater Utility - Bond and Interest	446	1	-	447
Totals	<u>\$ 28,255</u>	<u>\$ 35,773</u>	<u>\$ 32,715</u>	<u>\$ 31,313</u>

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

TOWN OF BETHANY
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 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. 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 BETHANY
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2009

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Wastewater Utility:	
Capital assets, not being depreciated:	
Improvements other than buildings	<u>\$ 110,927</u>

TOWN OF BETHANY
 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
Wastewater Utility: Revenue bonds: Wastewater Improvements	\$ 10,043	\$ 1,601

TOWN OF BETHANY
EXAMINATION RESULTS AND COMMENTS

BOARD MINUTES

Minutes for all Town Council meetings for the year 2008 were not presented for examination.

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) An additional information required under IC 5-1.5-2-2.5 or IC 20-12-63-7."

PRESCRIBED FORMS

The following prescribed forms were not always in use:

Clerk-Treasurer's Receipt - Town Form 217
Consumer's Ledger-Municipal Wastewater Utility - Sewage Form 324
Accounts Payable Voucher - Town Form 39
Accounts Payable Voucher - Form 301-S

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)

CONDITION OF RECORDS

The Annual Financial Report (CTAR-1) for the years ending December 31, 2008 and 2009, were not reflective of the financial records for the Town or Wastewater Utility.

Additionally, funds ledgers and simplified cash journals were not kept up to date during the examination period nor were bank reconciliations performed monthly.

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)

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 BETHANY
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN FUND BALANCES

The Economic Development Income Tax Fund was overdrawn as of December 31, 2008, and as of December 31, 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)

CAPITAL ASSET RECORDS

The Town does not maintain any capital asset records. Also, the Town does not have a capital asset policy which includes the dollar threshold for which capital assets are reported.

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 form. 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)

ORDINANCES AND RESOLUTIONS

The Town of Bethany was not in compliance with the Town's wastewater rate ordinance.

The Wastewater Utility has an ordinance concerning transfer of funds from the Wastewater Operating Fund to the Wastewater Bond and Interest Fund in order to satisfy yearly principal and interest requirements; however, the Wastewater Utility did not transfer funds from the Wastewater Operating Fund to the Wastewater Bond and Interest Fund during the examination period.

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)

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

IC 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:

TOWN OF BETHANY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May . . ."

ERRORS ON CLAIMS

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

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

TOWN OF BETHANY
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees was not certified to the County Treasurer in 2008 or in 2009.

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."

SERVICE AND TIME RECORDS

Employee time, attendance, or service records were not maintained and presented for examination.

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)

COMPENSATION AND BENEFITS

There was no salary ordinance for either 2008 or 2009.

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)

FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS

Howard Cassidy earned \$3,800 in gross wages according to 2008 payroll records. The W-2 for Mr. Cassidy shows \$3,400 for 2008.

Melody Schubert earned \$800 in gross wages according to 2008 payroll records. The W-2 for Ms. Schubert shows \$600 for 2008.

Leroy Worley earned \$7,900 in nonemployee compensation for 2008. Leroy Worley earned \$1,925 in nonemployee compensation for 2009. Roger Hacker earned \$648.50 in nonemployee compensation for 2009. Tony Worley earned \$1,376.25 in nonemployee compensation for 2009. No Form 1099 was prepared for any of this nonemployee compensation.

TOWN OF BETHANY
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

PENALTIES, INTEREST, AND OTHER CHARGES

Penalties and interest totaling \$4.49 were paid to the Internal Revenue Service on April 12, 2010, for the quarter ending December 31, 2009.

Officials and employees have the duty to pay claims and remit taxes in a timely fashion. Failure to pay claims or remit taxes in a timely manner could be an indicator of serious financial problems which should be investigated by the governmental unit.

Additionally officials and employees have a responsibility to perform duties in a manner which would not result in any unreasonable fees being assessed against the governmental unit.

Any penalties, interest or other charges paid by the governmental unit may be the personal obligation of the responsible official or employee.

(Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF BETHANY
EXIT CONFERENCE

The contents of this report were discussed on March 16, 2011, with Charles Worley, President of the Town Council, and Melody Schubert, Clerk-Treasurer. The officials concurred with our findings.

The contents of this report were discussed on March 16, 2011, with Howard Cassidy, former Clerk-Treasurer by telephone.