

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

EXAMINATION REPORT
OF
TOWN OF SPRING GROVE
WAYNE COUNTY, INDIANA
January 1, 2010 to December 31, 2010



FILED
09/22/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Billie Brann Deanna Call (Interim)	01-01-07 to 08-15-10 08-16-10 to 12-31-11
President of the Town Council	Ernest Hendricks	01-01-07 to 12-31-11



STATE OF INDIANA
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SPRING GROVE, WAYNE COUNTY, INDIANA

We were engaged to examine the financial statement of the Town of Spring Grove (Town), for the period of January 1, 2010 to December 31, 2010. The Town's management is responsible for the financial statement.

The Town did not properly maintain accounting records for the period January 1, 2007 to December 31, 2009. The Town's records did not permit the application of other examination procedures to ascertain if the financial information was fairly stated.

The Town did not present complete financial information and notes for the years ended December 31, 2007, 2008, and 2009 in accordance with reporting requirements established by the State Board of Accounts. Presentation of such information and notes summarizing the Town's financial position and the results of its operations is required by state statute (IC 5-11-1-6). We were therefore unable to satisfy ourselves that the individual beginning cash fund balances were fairly stated for the year ended December 31, 2010.

In our opinion, except for not being able to satisfy ourselves that the individual beginning cash fund balances discussed in the preceding paragraph, the financial statement referred to above presents fairly, in all material respects, the financial position and results of operations of the Town for the year ended December 31, 2010, on the basis of accounting described in Note 1.

The Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis for the year ended December 31, 2010, is presented for additional analysis and is not a required part of the financial statement. It has not been subjected to the examination procedures applied to the financial statement and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Town's management and Town Board, and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 1, 2011

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FINANCIAL STATEMENT

TOWN OF SPRING GROVE
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General Fund	\$ 33,000	\$ 107,150	\$ 91,013	\$ 49,137
Motor Vehicle Highway	39,038	10,506	15,390	34,154
Local Road And Street	50,000	2,486	19,972	32,514
Economic Development Fund	15,000	8,694	-	23,694
Rainy Day Fund	-	247	-	247
CCI	-	542	-	542
Totals	<u>\$ 137,038</u>	<u>\$ 129,625</u>	<u>\$ 126,375</u>	<u>\$ 140,288</u>

The notes to the financial information are an integral part of this statement.

TOWN OF SPRING GROVE
NOTES TO FINANCIAL INFORMATION

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement presents the financial information for the Town (primary government), and does not include financial information for any of the Town's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the Town (primary government).

B. Basis of Accounting

The financial statement is reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statement. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the Town.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

TOWN OF SPRING GROVE
NOTES TO FINANCIAL INFORMATION
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statement. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the Town. It includes all expenditures for the reduction of the principal and interest of the Town's general obligation indebtedness.

TOWN OF SPRING GROVE
NOTES TO FINANCIAL INFORMATION
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The Town may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the Town. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the Town. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the Town in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the Town submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the Town in June and December; however, situations can arise which would delay the distributions. 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 percent 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 normally become delinquent if not paid by May 10 and November 10, respectively.

TOWN OF SPRING GROVE
NOTES TO FINANCIAL INFORMATION
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be 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 statutes authorize 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 5. *Risk Management*

The Town may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the Town to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the Town by recording as a disbursement and replacement items purchased.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's Annual Report can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

TOWN OF SPRING GROVE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010

	General Fund	Motor Vehicle Highway	Local Road And Street	Economic Development Fund	Levy Excess Fund	CCI	Totals
Cash and investments - beginning	\$ 33,000	\$ 39,038	\$ 50,000	\$ 15,000	\$ -	\$ -	\$ 137,038
Receipts:							
Taxes	100,575	-	-	-	-	-	100,575
Intergovernmental	3,164	10,506	2,486	8,694	-	542	25,392
Other receipts	3,411	-	-	-	247	-	3,658
Total receipts	<u>107,150</u>	<u>10,506</u>	<u>2,486</u>	<u>8,694</u>	<u>247</u>	<u>542</u>	<u>129,625</u>
Disbursements:							
Supplies	697	-	-	-	-	-	697
Other services and charges	72,818	-	-	-	-	-	72,818
Other disbursements	17,498	15,390	19,972	-	-	-	52,860
Total disbursements	<u>91,013</u>	<u>15,390</u>	<u>19,972</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,375</u>
Excess (deficiency) of receipts over disbursements	<u>16,137</u>	<u>(4,884)</u>	<u>(17,486)</u>	<u>8,694</u>	<u>247</u>	<u>542</u>	<u>3,250</u>
Cash and investments - ending	<u>\$ 49,137</u>	<u>\$ 34,154</u>	<u>\$ 32,514</u>	<u>\$ 23,694</u>	<u>\$ 247</u>	<u>\$ 542</u>	<u>\$ 140,288</u>

TOWN OF SPRING GROVE
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

The Annual Financial Report for 2010 had not been completed within 60 days after the expiration of the calendar year and sent to the State Board of Accounts. It has since been submitted.

Indiana Code 5-3-1-3(a) states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town . . ."

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Town's funds. The records presented did not provide sufficient information to audit or establish beginning balances, receipts, disbursements, ending balances, or the accuracy or correctness of the transactions for the period January 1, 2007 to December 31, 2009. As noted in the Independent Accountant's Report, our opinion on the financial statement is qualified due to the uncertainty regarding the January 1, 2010 fund balances.

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)

INTERNAL CONTROLS

Controls over the receipting, recording, and accounting for the financial activities were insufficient. The Auditor found a bank account that was not on the Town's records. Also, a check sent from the state to the Town was lost and the Town Officials were not aware of this until the Auditor informed them.

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)

BOARD MINUTES

Not all minutes of meetings of the governing body were available for audit.

Indiana Code 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.

TOWN OF SPRING GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- (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) Any additional information required under IC 5-1.5-2-2.5."

CONTRACTS

Some payments were made for contractual services that were not supported by a written contract.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

No salary ordinance was found for the year 2010.

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 annually 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)

PAYROLL DEDUCTIONS

Payments were made to town officials without payroll deductions for taxes.

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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

A list of employees has not been certified to the County Treasurer since 2007.

Indiana Code 6-1.1-22-14(a) states in part:

TOWN OF SPRING GROVE
EXAMINATION RESULTS AND COMMENTS
(Continued)

"On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the name and address of each person who has money due the person from the political subdivision to the treasurer of each county in which the political subdivision is located."

PERSONAL EXPENSES

An annual Christmas dinner for Town Board members, employees, and their spouses cost \$665.56 and was paid for from the General Fund.

Public funds may not be used to pay for personal items or for expenses which do not relate to the functions and purposes of the governmental unit. Any personal expenses paid by the governmental entity may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The official bonds for Billie Brann and Deanna Call, for their terms of office as Clerk-Treasurer, were not filed in the Office of the County Recorder.

Indiana Code 5-4-1-5.1(b) states in part: "Every elected or appointed officer, official, deputy, or employee of a political subdivision . . . shall file the bond in the office of the county recorder. . . ."

TOWN OF SPRING GROVE
EXIT CONFERENCE

The contents of this report were discussed on August 1, 2011, with Deanna Call, Interim Clerk-Treasurer, and Ernest Hendricks, President of the Town Council. The officials concurred with our findings.