

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

FINANCIAL STATEMENT EXAMINATION REPORT

OF

TOWN OF UNIVERSAL

VERMILLION COUNTY, INDIANA

January 1, 2009 to December 31, 2010



FILED
11/16/2011

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Connie Conner	01-01-08 to 12-31-11
President of the Town Council	Helen Bennett	01-01-09 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF UNIVERSAL, VERMILLION COUNTY, INDIANA

We have examined the financial statements of the Town of Universal (Town), for the period of January 1, 2009 to December 31, 2010. The Town's management is responsible for the financial statements. 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 statements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

As discussed in Note 1, the Town prepares its financial statements on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position and results of operations of the Town for the years ended December 31, 2009 and 2010, on the basis of accounting described in Note 1.

The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis 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 financial statements. They have not been subjected to the examination procedures applied to the financial statements and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Town's management and the Town Council 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

September 15, 2011

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FINANCIAL STATEMENTS

The financial statements and accompanying notes were approved by management of the Town. The financial statements and notes are presented as intended by the Town.

TOWN OF UNIVERSAL
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2009

	Cash and Investments 01-01-09	Receipts	Disbursements	Cash and Investments 12-31-09
General	\$ 5,850	\$ 17,224	\$ 15,347	\$ 7,727
MVH	24,389	15,002	22,894	16,497
LRS	115	2,397	-	2,512
CCI	4,371	1,285	2,103	3,553
Park	2,835	756	1,010	2,581
Law Enforcement Continuing Education	131	-	-	131
Donation	152	1	-	153
Water Operating	43,362	72,437	70,140	45,659
Water Guaranteed Acct	10,814	1,550	550	11,814
Water Principal and Interest	6,729	9,043	9,046	6,726
Water Debt Service	25,178	1,879	3,815	23,242
Totals	<u>\$ 123,926</u>	<u>\$ 121,574</u>	<u>\$ 124,905</u>	<u>\$ 120,595</u>

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

TOWN OF UNIVERSAL
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	\$ 7,727	\$ 16,240	\$ 13,243	\$ 10,724
MVH	16,497	12,912	11,144	18,265
LRS	2,512	2,414	551	4,375
CCI	3,553	1,227	2,202	2,578
Park	2,581	3,299	652	5,228
Law Enforcement Continuing Education	131	-	-	131
Donation	153	-	-	153
Water Operating	45,659	82,805	77,690	50,774
Water Guaranteed Acct	11,814	1,480	300	12,994
Water Principal and Interest	6,726	11,340	16,559	1,507
Water Debt Service	23,242	4,186	9,618	17,810
Totals	<u>\$ 120,595</u>	<u>\$ 135,903</u>	<u>\$ 131,959</u>	<u>\$ 124,539</u>

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

TOWN OF UNIVERSAL
NOTES TO FINANCIAL STATEMENTS

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), highways and streets, health and social services, culture and recreation, general administrative services, and water.

The accompanying financial statements present 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 statements are 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 statements. 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 UNIVERSAL
NOTES TO FINANCIAL STATEMENTS
(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 statements. 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 UNIVERSAL
NOTES TO FINANCIAL STATEMENTS
(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 UNIVERSAL
NOTES TO FINANCIAL STATEMENTS
(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.

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SUPPLEMENTARY INFORMATION – UNAUDITED

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

Differences may be noted between the financial information presented in the financial statements contained in this report and the financial information presented in the Annual Reports of the Town which are referenced above. These differences, if any, are due to adjustments made to the financial information during the course of the examination. This is a common occurrence in any financial statement examination. The financial information presented in this report is examined information, and the accuracy of such information can be determined by reading the opinion given in the Independent Accountant's Report.

The supplementary information presented was prepared and/or approved by management of the Town. It is presented as intended by the Town.

TOWN OF UNIVERSAL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009

	General	MVH	LRS	CCI	Park	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 5,850	\$ 24,389	\$ 115	\$ 4,371	\$ 2,835	\$ 131
Receipts:						
Intergovernmental	17,224	15,002	2,397	1,285	-	-
Other receipts	-	-	-	-	756	-
Total receipts	<u>17,224</u>	<u>15,002</u>	<u>2,397</u>	<u>1,285</u>	<u>756</u>	<u>-</u>
Disbursements:						
Personal services	14,779	21,054	-	-	-	-
Supplies	533	1,840	-	-	1,010	-
Other services and charges	-	-	-	2,103	-	-
Debt service - principal and interest	-	-	-	-	-	-
Other disbursements	35	-	-	-	-	-
Total disbursements	<u>15,347</u>	<u>22,894</u>	<u>-</u>	<u>2,103</u>	<u>1,010</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>1,877</u>	<u>(7,892)</u>	<u>2,397</u>	<u>(818)</u>	<u>(254)</u>	<u>-</u>
Cash and investments - ending	<u>\$ 7,727</u>	<u>\$ 16,497</u>	<u>\$ 2,512</u>	<u>\$ 3,553</u>	<u>\$ 2,581</u>	<u>\$ 131</u>

TOWN OF UNIVERSAL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2009
 (Continued)

	Donation	Water Operating	Water Guaranteed Acct	Water Principal And Interest	Water Debt Service	Totals
Cash and investments - beginning	\$ 152	\$ 43,362	\$ 10,814	\$ 6,729	\$ 25,178	\$ 123,926
Receipts:						
Intergovernmental	-	72,437	1,550	-	-	109,895
Other receipts	1	-	-	9,043	1,879	11,679
Total receipts	1	72,437	1,550	9,043	1,879	121,574
Disbursements:						
Personal services	-	49,281	550	-	-	85,664
Supplies	-	4,338	-	-	-	7,721
Other services and charges	-	5,599	-	-	-	7,702
Debt service - principal and interest	-	1,879	-	-	3,815	5,694
Other disbursements	-	9,043	-	9,046	-	18,124
Total disbursements	-	70,140	550	9,046	3,815	124,905
Excess (deficiency) of receipts over disbursements	1	2,297	1,000	(3)	(1,936)	(3,331)
Cash and investments - ending	\$ 153	\$ 45,659	\$ 11,814	\$ 6,726	\$ 23,242	\$ 120,595

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

	General	MVH	LRS	CCI	Park	Law Enforcement Continuing Education
Cash and investments - beginning	\$ 7,727	\$ 16,497	\$ 2,512	\$ 3,553	\$ 2,581	\$ 131
Receipts:						
Intergovernmental	16,240	12,912	2,414	-	-	-
Other receipts	-	-	-	1,227	3,299	-
Total receipts	<u>16,240</u>	<u>12,912</u>	<u>2,414</u>	<u>1,227</u>	<u>3,299</u>	<u>-</u>
Disbursements:						
Personal services	4,840	672	-	420	-	-
Supplies	467	3,392	-	43	652	-
Other services and charges	5,393	3,777	20	543	-	-
Debt service - principal and interest	-	-	-	-	-	-
Other disbursements	2,543	3,303	531	1,196	-	-
Total disbursements	<u>13,243</u>	<u>11,144</u>	<u>551</u>	<u>2,202</u>	<u>652</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>2,997</u>	<u>1,768</u>	<u>1,863</u>	<u>(975)</u>	<u>2,647</u>	<u>-</u>
Cash and investments - ending	<u>\$ 10,724</u>	<u>\$ 18,265</u>	<u>\$ 4,375</u>	<u>\$ 2,578</u>	<u>\$ 5,228</u>	<u>\$ 131</u>

TOWN OF UNIVERSAL
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2010
 (Continued)

	Donation	Water Operating	Water Guaranteed Acct	Water Principal And Interest	Water Debt Service	Totals
Cash and investments - beginning	\$ 153	\$ 45,659	\$ 11,814	\$ 6,726	\$ 23,242	\$ 120,595
Receipts:						
Intergovernmental	-	-	-	-	-	31,566
Other receipts	-	82,805	1,480	11,340	4,186	104,337
Total receipts	-	82,805	1,480	11,340	4,186	135,903
Disbursements:						
Personal services	-	21,374	-	-	-	27,306
Supplies	-	5,096	-	-	-	9,650
Other services and charges	-	19,754	-	-	-	29,487
Debt service - principal and interest	-	14,431	-	16,559	9,618	40,608
Other disbursements	-	17,035	300	-	-	24,908
Total disbursements	-	77,690	300	16,559	9,618	131,959
Excess (deficiency) of receipts over disbursements	-	5,115	1,180	(5,219)	(5,432)	3,944
Cash and investments - ending	\$ 153	\$ 50,774	\$ 12,994	\$ 1,507	\$ 17,810	\$ 124,539

TOWN OF UNIVERSAL
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF LONG-TERM DEBT
 Decemeber 31, 2010

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year	Fund
Bonds payable:			
Revenue bonds:			
State Revolving Fund 2005 Bonds - Water Utility improvements	\$ 102,456	\$ 9,395	Principal And Interest Debt Service Acct.
State Revolving Fund 2007 Bonds - Water Utility improvements	<u>20,655</u>	<u>4,373</u>	
Total debt	<u>\$ 123,111</u>	<u>\$ 13,768</u>	

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
MVH	2009	\$ 2,998
CCI	2010	762

Indiana Code 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."

CAPITAL ASSET RECORDS

As stated in prior Reports B30193 and B36998, the Town does not record capital asset additions or disposals on City and Town Form No. 211, or another approved form.

As stated in prior reports B30193 and B36998, the Water Utility does not maintain sufficient detailed records of capital assets for its Utility Plant in Service accounts. Upon purchase, the costs of the capital assets should be added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for the Utility's capital assets are not available, and records classifying and summarizing the Utility's capital assets are incomplete. Deletions or 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 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)

CERTIFIED REPORT NOT FILED

The Town did not file a certified report of compensation of officers and employees (Form 100-R or its equivalent) with the State Board of Accounts for the years 2009 and 2010.

Indiana Code 5-11-13-1 states in part:

"Every state, county, city, town, township, or school official . . . shall during the month of January of each year prepare, make, and sign a written or printed certified report, correctly and completely showing the names and business addresses of each and all officers, employees, and agents . . . and the respective duties and compensation of each, and shall forthwith file said report in the office of the state examiner of the state board of accounts."

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

CONDITION OF RECORDS

Financial records presented for examination were incomplete and not reflective of the activity of the Law Enforcement Continuing Education Fund and Donation Fund. The records presented did not record beginning balances, receipts, disbursements or ending balances and did not provide sufficient information to verify the accuracy or correctness of the transactions for the aforementioned funds

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)

DELINQUENT ACCOUNTS RECEIVABLE

As stated in the prior Report B36998, Ordinance 2000-02 established the shutoff policy for delinquent customers. The Water Utility did not always shut off delinquent customers as required by the ordinance. The Clerk-Treasurer and the President of the Town Council had outstanding water bills in the amounts of \$195 and \$437, respectively, as of December 31, 2010.

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)

DEPOSITS

As stated in the prior Report B36998, 16 of 25 receipts tested were deposited later than the next business day.

Indiana Code 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."

ERRORS ON CLAIMS

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

1. Town claims were not always adequately itemized.
2. Water Utility claims were not certified by the Clerk-Treasurer.

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 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."

FUND SOURCES AND USES

Surtax and wheel tax receipts were sometimes incorrectly recorded in the General or LRS Fund, rather than the proper MVH Fund.

Funds were disbursed from the CCI Fund for general cleaning of the Town hall.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTEREST ON INVESTMENTS

As stated in prior Report B36998, interest earned on investments was automatically added to the principal and not recorded in the records.

Interest on investments should not be automatically added into the investment. Instead, interest on investments should be paid to the governmental unit at each maturity date and posted to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

At all times, the manual and/or computerized records, subsidiary ledgers, control ledgers, 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.

TOWN OF UNIVERSAL
EXAMINATION RESULTS AND COMMENTS
(Continued)

INVESTMENTS IN CERTIFICATES OF DEPOSIT

No record of quotes taken for investment in certificates of deposit was available for examination.

Indiana Code 5-13-9-4(b) states:

"The investing officer making a deposit in a certificate of deposit shall obtain quotes of the specific rates of interest for the term of that certificate of deposit that each designated depository will pay on the certificate of deposit. Quotes may be solicited and taken by telephone. A memorandum of all quotes solicited and taken shall be retained by the investing officer as a public record of the political subdivision under IC 5-14-3. If the deposit is not placed in the designated depository quoting the highest rate of interest, the investing officer shall: (1) place the deposit in the depository quoting the second or third highest rate of interest; and (2) note the reason for placing the deposit on the memorandum of quotes."

INVESTMENT MATURITY LIMITATIONS

All of the governmental unit's purchased investments had stated maturities in excess of two years.

Indiana Code 5-13-9-5.6 states:

". . . investments made under this chapter must have a stated final maturity of not more than: . . . two (2) years for a fund or political subdivision . . . after the date of purchase or entry into a repurchase agreement."

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

As stated in prior Report B36998, a list of employees was not certified to the Vermillion County Treasurer.

Indiana Code 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 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."

OFFICIAL BOND

Connie Conner, Clerk-Treasurer, did not have an official bond for 2009 and 2010.

Prior to its amendments, effective July 1, 2011, Indiana Code 5-4-1-18 stated in part:

"(a) Except as provided in subsection (b), the following city, town, county, or township officers and employees shall file an individual surety bond:

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- (1) City judges, controllers, clerks, and clerk-treasurers.
- (2) Town judges and clerk-treasurers.
- (3) Auditors, treasurers, recorders, surveyors, sheriffs, coroners, assessors, and clerks.
- (4) Township trustees.
- (5) Those employees directed to file an individual bond by the fiscal body of a city, town, or county.
- (6) Township assessors (if any).

(b) The fiscal body of a city, town, county, or township may by ordinance authorize the purchase of a blanket bond or a crime insurance policy endorsed to include faithful performance to cover the faithful performance of all employees, commission members, and persons acting on behalf of the local government unit, including those officers described in subsection (a).

(c) Except as provided in subsections (h) and (i), the fiscal bodies of the respective units shall fix the amount of the bond of city controllers, city clerk-treasurers, town clerk-treasurers, Barrett Law fund custodians, county treasurers, county sheriffs, circuit court clerks, township trustees, and conservancy district financial clerks as follows:

- (1) The amount of annual coverage must equal thirty thousand dollars (\$30,000) for each one million dollars (\$1,000,000) of receipts of the officer's office during the last complete fiscal year before the purchase of the bond, subject to subdivision (2).
- (2) The amount of annual coverage may not be less than thirty thousand dollars (\$30,000) nor more than three hundred thousand dollars (\$300,000) unless the fiscal body approves a greater amount of annual coverage for the officer or employee.

County auditors shall file bonds that provide annual coverage of not less than thirty thousand dollars (\$30,000), as fixed by the fiscal body of the county. The amount of annual coverage of the bond of any other person required to file an individual bond shall be fixed by the fiscal body of the unit at not less than fifteen thousand dollars (\$15,000)."

OPTICAL IMAGES OF WARRANTS

As stated in prior Reports B30193 and B36998, First Financial Bank and Old National Bank did not return the actual cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

Indiana Code 5-15-6-3 concerning optical imaging of checks states in part:

"(a) . . . 'original records' . . . includes the optical image of a check or deposit document when:

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- (1) the check or deposit document is recorded, copied, or reproduced by an optical imaging process . . . ; and
- (2) the drawer of the check receives an optical image of the check after the check is processed for payment . . ."

Further, Indiana Code 26-2-8-111 states in part:

"(a) If a law requires that certain records be retained, that requirement is met by retaining an electronic record of the information in the record that:

- (1) accurately reflects the information set forth in the record after it was first generated in its final form as an electronic record or otherwise: and
- (2) remains accessible for later reference.

(e) If a law requires retention of a check, that requirement is satisfied by retention of an electronic record of the information on the front and back of the check in accordance with subsection (a)."

PRESCRIBED FORMS

As stated in prior Reports B30193 and B36998, the following prescribed or approved forms were not always in use:

Water Utility Simplified Cash Journal (Form 319)
Capital Assets Ledger (City and Town Form 211)
Ledger of Appropriations, Encumbrances and
Balances (City and Town Form 209)
Register of Investments (General Form 350)

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)

RECEIPT ISSUANCE

In some instances, receipts for the Water Utility's customer deposits were not issued.

Receipts shall be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF UNIVERSAL
EXIT CONFERENCE

The contents of this report were discussed on September 15, 2011, with Connie Conner, Clerk-Treasurer, and Helen Bennett, President of the Town Council. The officials concurred with our findings.