

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF NEW POINT

DECATUR COUNTY, INDIANA

January 1, 2010 to December 31, 2011



**FILED**  
12/04/2012



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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Viola Minning	01-01-08 to 12-31-15
President of the Town Council	Clarence Carson	01-01-10 to 12-31-10
	Lanny Thomas	01-01-11 to 12-31-11
	Larry Byrd	01-01-12 to 12-31-12



**STATE OF INDIANA**  
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF NEW POINT, DECATUR COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of New Point (Town), for the years ended December 31, 2010 and 2011. The financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on the financial statements 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. The basis noted above is a different basis than that used in the prior year.

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, 2010 and 2011, on the basis of accounting described in Note 1.

Our examination was conducted for the purpose of forming an opinion on the Town's financial statements. The Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Debt, and Schedule of Capital Assets, 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, Town Council, and others within the entity 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 25, 2012

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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 NEW POINT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2010

Fund	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 9,149	\$ 40,253	\$ 46,180	\$ 3,222
Motor Vehicle Highway	7,951	14,839	10,003	12,787
Community Building/Center	16,902	24,146	21,084	19,964
Wastewater Utility-Operating	45,231	141,256	137,474	49,013
Wastewater Utility-Bond And Interest	85,026	15,258	10,260	90,024
Totals	<u>\$ 164,259</u>	<u>\$ 235,752</u>	<u>\$ 225,001</u>	<u>\$ 175,010</u>

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

TOWN OF NEW POINT  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -  
REGULATORY BASIS  
For The Year Ended December 31, 2011

Fund	Cash and Investments 01-01-11	Receipts	Disbursements	Cash and Investments 12-31-11
General	\$ 3,222	\$ 67,907	\$ 54,635	\$ 16,494
Motor Vehicle Highway	12,787	-	12,787	-
Community Building/Center	19,964	22,521	21,504	20,981
Wastewater Utility-Operating	49,013	165,720	152,446	62,287
Wastewater Utility-Bond And Interest	90,024	1,116	10,080	81,060
Totals	<u>\$ 175,010</u>	<u>\$ 257,264</u>	<u>\$ 251,452</u>	<u>\$ 180,822</u>

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

TOWN OF NEW POINT  
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 and fire), highways and streets, culture and recreation, public improvements, general administrative services, wastewater.

The accompanying financial statements present the financial information for the Town.

*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 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, 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.

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

TOWN OF NEW POINT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

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, recycling fees, park rental fees, cable tv receipts, ordinance violations and fines and fees.

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 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.

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.

TOWN OF NEW POINT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

*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.

**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.

TOWN OF NEW POINT  
NOTES TO FINANCIAL STATEMENTS  
(Continued)

**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.

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## SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the Town's 2010 Annual Report can be found on the Indiana Transparency Portal website: [www.in.gov/itp/annual\\_reports/](http://www.in.gov/itp/annual_reports/).

For additional financial information, the Town's 2011 Annual Report information can be found on the Gateway website: <https://gateway.ifionline.org/>.

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 approved by management of the Town. It is presented as intended by the Town.

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

	General	Motor Vehicle Highway	Community Building/Center	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Totals
Cash and investments - beginning	\$ 9,149	\$ 7,951	\$ 16,902	\$ 45,231	\$ 85,026	\$ 164,259
Receipts:						
Taxes	21,997	-	-	-	-	21,997
Licenses and permits	50	-	-	-	-	50
Intergovernmental	18,082	14,839	-	-	-	32,921
Charges for services	-	-	2,300	-	-	2,300
Utility fees	-	-	-	141,256	-	141,256
Other receipts	124	-	21,846	-	15,258	37,228
Total receipts	<u>40,253</u>	<u>14,839</u>	<u>24,146</u>	<u>141,256</u>	<u>15,258</u>	<u>235,752</u>
Disbursements:						
Personal services	25,267	-	-	-	-	25,267
Supplies	4,419	-	72	-	-	4,491
Other services and charges	15,494	10,003	21,012	-	-	46,509
Debt service - principal and interest	-	-	-	-	10,260	10,260
Capital outlay	1,000	-	-	-	-	1,000
Utility operating expenses	-	-	-	131,474	-	131,474
Other disbursements	-	-	-	6,000	-	6,000
Total disbursements	<u>46,180</u>	<u>10,003</u>	<u>21,084</u>	<u>137,474</u>	<u>10,260</u>	<u>225,001</u>
Excess (deficiency) of receipts over disbursements	<u>(5,927)</u>	<u>4,836</u>	<u>3,062</u>	<u>3,782</u>	<u>4,998</u>	<u>10,751</u>
Cash and investments - ending	<u>\$ 3,222</u>	<u>\$ 12,787</u>	<u>\$ 19,964</u>	<u>\$ 49,013</u>	<u>\$ 90,024</u>	<u>\$ 175,010</u>

TOWN OF NEW POINT  
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS  
 For The Year Ended December 31, 2011

	General	Motor Vehicle Highway	Community Building/Center	Wastewater Utility-Operating	Wastewater Utility-Bond And Interest	Totals
Cash and investments - beginning	\$ 3,222	\$ 12,787	\$ 19,964	\$ 49,013	\$ 90,024	\$ 175,010
Receipts:						
Taxes	32,370	-	-	-	951	33,321
Licenses and permits	80	-	-	-	-	80
Intergovernmental	33,862	-	-	-	-	33,862
Charges for services	-	-	3,930	-	-	3,930
Fines and forfeits	604	-	-	-	-	604
Utility fees	-	-	-	165,720	-	165,720
Other receipts	991	-	18,591	-	165	19,747
Total receipts	<u>67,907</u>	<u>-</u>	<u>22,521</u>	<u>165,720</u>	<u>1,116</u>	<u>257,264</u>
Disbursements:						
Personal services	26,114	-	-	-	-	26,114
Supplies	3,519	-	593	-	-	4,112
Other services and charges	25,002	-	-	-	-	25,002
Debt service - principal and interest	-	-	-	-	10,080	10,080
Utility operating expenses	-	-	-	152,446	-	152,446
Other disbursements	-	12,787	20,911	-	-	33,698
Total disbursements	<u>54,635</u>	<u>12,787</u>	<u>21,504</u>	<u>152,446</u>	<u>10,080</u>	<u>251,452</u>
Excess (deficiency) of receipts over disbursements	<u>13,272</u>	<u>(12,787)</u>	<u>1,017</u>	<u>13,274</u>	<u>(8,964)</u>	<u>5,812</u>
Cash and investments - ending	<u>\$ 16,494</u>	<u>\$ -</u>	<u>\$ 20,981</u>	<u>\$ 62,287</u>	<u>\$ 81,060</u>	<u>\$ 180,822</u>

TOWN OF NEW POINT  
 SCHEDULE OF DEBT  
 December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Wastewater: Revenue bonds	Wastewater Utility	\$ 115,000	\$ 9,990
Totals		<u>\$ 115,000</u>	<u>\$ 9,990</u>

TOWN OF NEW POINT  
SCHEDULE OF CAPITAL ASSETS  
December 31, 2011

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>Ending Balance</u>
Governmental activities:	
Land	\$ 36,140
Buildings	<u>527,100</u>
Total governmental activities	<u>563,240</u>
Wastewater:	
Machinery, equipment and vehicles	<u>145,390</u>
Total capital assets	<u>\$ 708,630</u>

TOWN OF NEW POINT  
EXAMINATION RESULTS AND COMMENTS

***ANNUAL REPORT (Applies to Clerk-Treasurer)***

A Motor Vehicle Highway Fund was established on the Town's accounting records for the year 2010. However, the cash and investment balances and financial activity of the Motor Vehicle Highway Fund was combined with the General Fund on the City and Town Annual Financial Report for the year 2010.

The prescribed accounting system requires the financial activity reported on the City and Town Financial Report to agree with the accounting records. Audit adjustments were recommended and approved by Town officials to properly report the financial activity of the Motor Vehicle Highway Fund and the General Fund on the Town's financial statements for the year 2010.

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)

***IMPROPER RECORDING OF STATE AND COUNTY DISTRIBUTIONS (Applies to Clerk-Treasurer)***

The Clerk-Treasurer did not receipt the following state distributions to the proper fund:

1. Distribution of local road and street funds in the amount of \$1,707.04 for the year 2010 were receipted to the Motor Vehicle Highway Fund rather than to the Local Road and Street Fund.
2. Distributions of motor vehicle highway funds in the amount of \$7,716.00 and local road and street funds in the amount of \$1,681.94 were receipted to the General Fund in the year 2011 rather than to the Motor Vehicle Highway Fund and the Local Road and Street Fund, respectively.
3. Distributions of cigarette tax funds in the amount of \$849.11 for the year 2010 and \$832.81 for the year 2011 were receipted to the General Fund rather than the Cumulative Capital Improvement Fund.
4. Distributions of county wheel tax and county vehicle excise surtax funds in the amount of \$4,289.98 for the year 2011 were receipted to the General Fund rather than the Motor Vehicle Highway Fund.

The accounting system prescribed by the State Board of Accounts establishes separate funds to account for the above state distributions.

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)

We brought to the attention of Town officials that there are various statutes that may authorize the transfer of the above monies to the General Fund; however, these statutes require the transfers to be approved by the Town Council after the passage of an ordinance or a resolution.

TOWN OF NEW POINT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

***DISBURSEMENT PROCEDURES NOT FOLLOWED (Applies to Clerk-Treasurer)***

State statutes and good internal control procedures require that a disbursement be made only after a department head or other employee has verified that goods or services purchased have been received. A review of accounts payable vouchers (claim) showed that 64 percent of those selected for testing were not certified by the department head or other employee to indicate that the goods or services purchased were received.

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: . . . (2) the invoice or bill is approved by the officer or person receiving the goods and services . . ."

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.

Controls over the receipting, disbursing, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***CAPITAL ASSET RECORDS (Applies to Clerk-Treasurer)***

The costs of the capital asset are added to the aggregated total for the capital asset category (land; buildings; equipment) upon the purchase or acquisition of the capital assets. However, the Town does not maintain detailed records of capital assets identifying individual capital assets for the Town and Wastewater Utility capital assets.

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)

***OPTICAL IMAGES OF WARRANTS (Applies to Clerk-Treasurer and Town Council)***

The financial institutions for the Town's depository accounts 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.

TOWN OF NEW POINT  
EXAMINATION RESULTS AND COMMENTS  
(Continued)

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

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

- (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 . . ."

Furthermore, 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)."

TOWN OF NEW POINT  
EXIT CONFERENCE

The contents of this report were discussed on September 25, 2012, with Viola Minning, Clerk-Treasurer, and Larry Byrd, President of the Town Council.