

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF SUMMITVILLE

MADISON COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/17/2013

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SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Veronica A. Hendrick	01-01-08 to 12-31-11
	Kelley Kornbroke	01-01-12 to 12-31-15
President of the Town Council	J.C. Hendrick	01-01-10 to 07-06-10
	Wayne Small	07-06-10 to 12-07-10
	Charles Coats	12-07-10 to 12-31-11
	Bart Matney	01-01-12 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF SUMMITVILLE, MADISON COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Summitville (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 period.

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 and Schedule of Leases and 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.

The Town's response to the Examination Results and Comments identified in our examination is described in the accompanying section of the report entitled Official Response. We did not examine the Town's response and, accordingly, we express no opinion on it.

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

December 3, 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 SUMMITVILLE
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	\$ 32,837	\$ 351,854	\$ 356,847	\$ 27,844
Motor Vehicle Highway	27,193	62,949	33,317	56,825
Local Road And Street	26,934	29,769	19,348	37,355
Economic Development Operating	225	-	-	225
Law Enforcement Continuing Ed	3,478	1,411	795	4,094
Riverboat	34,545	98,928	58,196	75,277
Rainy Day	959	1,405	1,373	991
Levy Excess	-	529	-	529
Community Center	4,006	3,330	6,432	904
War Memorial	1,230	699	20	1,909
Police Equipment (Not Debt Service)	495	-	-	495
Cumulative Capital Improvement	3,522	3,191	1,547	5,166
Main Street Construction	19,051	82,001	96,410	4,642
Park And Recreation Improvements	5,086	10,412	12,676	2,822
Town Hall Construction	2,492	75,504	77,934	62
Town Hall Building Fund	75,859	-	75,859	-
Payroll	5,730	156,841	162,255	316
Unappropriated	306	15	-	321
Wastewater Utility Operating	68,795	237,108	223,206	82,697
Wastewater Utility Bond & Interest	9,710	60,000	57,810	11,900
Wastewater Utility Sinking	15,510	7,800	18,870	4,440
IDEM	6,975	6,420	5,400	7,995
Trash	15,121	48,090	47,735	15,476
U.S. Rural Development	7,658	-	7,658	-
Totals	<u>\$ 367,717</u>	<u>\$ 1,238,256</u>	<u>\$ 1,263,688</u>	<u>\$ 342,285</u>

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

TOWN OF SUMMITVILLE
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	\$ 27,844	\$ 329,604	\$ 268,854	\$ 88,594
Motor Vehicle Highway	56,825	75,969	79,299	53,495
Local Road And Street	37,355	10,306	41,815	5,846
Economic Development Operating	225	-	-	225
Law Enforcement Continuing Ed	4,094	695	-	4,789
Main Street Development	-	51,000	-	51,000
Riverboat	75,277	89,202	103,389	61,090
Rainy Day	991	-	-	991
Levy Excess	529	-	529	-
Police Equipment (Not Debt Service)	495	-	328	167
SRF Fund match	-	42,000	-	42,000
Cumulative Capital Improvement	5,166	3,130	5,501	2,795
Community Center	904	1,178	1,654	428
War Memorial	1,909	-	-	1,909
Main Street Construction	4,642	15,662	15,662	4,642
Park And Recreation Improvements	2,822	8,168	7,385	3,605
Town Hall Construction	62	-	-	62
Payroll	316	158,709	156,540	2,485
Insurance-Other	321	-	300	21
Wastewater Utility Operating	82,697	247,616	290,653	39,660
Wastewater Utility Bond & Interest	11,900	60,000	66,900	5,000
Wastewater Utility Sinking	4,440	7,800	7,188	5,052
IDEM	7,995	6,420	6,400	8,015
Trash	15,476	51,963	61,553	5,886
Totals	<u>\$ 342,285</u>	<u>\$ 1,159,422</u>	<u>\$ 1,113,950</u>	<u>\$ 387,757</u>

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

TOWN OF SUMMITVILLE
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, 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 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 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, 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.

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.

TOWN OF SUMMITVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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, but also include penalties received for late payments.

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 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 SUMMITVILLE
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.

TOWN OF SUMMITVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

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 any replacement items purchased.

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the Indiana Public Retirement System (INPRS) Board, most requirements of the system, and give the Town authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

INPRS administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Indiana Public Retirement System
1 North Capital Street, Suite 001
Indianapolis, IN 46204
Ph. (888) 526-1687

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of INPRS.

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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/.

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

	General	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Law Enforcement Continuing Ed	Riverboat	Rainy Day
Cash and investments - beginning	\$ 32,837	\$ 27,193	\$ 26,934	\$ 225	\$ 3,478	\$ 34,545	\$ 959
Receipts:							
Utility fees	-	-	-	-	-	-	-
Other receipts	351,854	62,949	29,769	-	1,411	98,928	1,405
Total receipts	351,854	62,949	29,769	-	1,411	98,928	1,405
Disbursements:							
Personal services	67,755	17,029	-	-	-	-	-
Supplies	43,153	15,749	-	-	-	-	-
Other services and charges	29,736	539	19,348	-	795	58,196	1,373
Debt service - principal and interest	-	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	216,203	-	-	-	-	-	-
Total disbursements	356,847	33,317	19,348	-	795	58,196	1,373
Excess (deficiency) of receipts over disbursements	(4,993)	29,632	10,421	-	616	40,732	32
Cash and investments - ending	\$ 27,844	\$ 56,825	\$ 37,355	\$ 225	\$ 4,094	\$ 75,277	\$ 991

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

	Levy Excess	Community Center	War Memorial	Police Equipment (Not Debt Service)	Cumulative Capital Improvement	Main Street Construction
Cash and investments - beginning	\$ -	\$ 4,006	\$ 1,230	\$ 495	\$ 3,522	\$ 19,051
Receipts:						
Utility fees	-	-	-	-	-	-
Other receipts	529	3,330	699	-	3,191	82,001
Total receipts	529	3,330	699	-	3,191	82,001
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	6,432	-	-	-	-
Other services and charges	-	-	20	-	1,547	96,410
Debt service - principal and interest	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	6,432	20	-	1,547	96,410
Excess (deficiency) of receipts over disbursements	529	(3,102)	679	-	1,644	(14,409)
Cash and investments - ending	\$ 529	\$ 904	\$ 1,909	\$ 495	\$ 5,166	\$ 4,642

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

	Park And Recreation Improvements	Town Hall Construction	Town Hall Building Fund	Payroll	Unappropriated	Wastewater Utility Operating
Cash and investments - beginning	\$ 5,086	\$ 2,492	\$ 75,859	\$ 5,730	\$ 306	\$ 68,795
Receipts:						
Utility fees	-	-	-	-	-	237,108
Other receipts	10,412	75,504	-	156,841	15	-
Total receipts	10,412	75,504	-	156,841	15	237,108
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	12,676	77,934	-	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	223,206
Other disbursements	-	-	75,859	162,255	-	-
Total disbursements	12,676	77,934	75,859	162,255	-	223,206
Excess (deficiency) of receipts over disbursements	(2,264)	(2,430)	(75,859)	(5,414)	15	13,902
Cash and investments - ending	\$ 2,822	\$ 62	\$ -	\$ 316	\$ 321	\$ 82,697

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

	Wastewater Utility Bond & Interest	Wastewater Utility Sinking	IDEM	Trash	U.S. Rural Development	Totals
Cash and investments - beginning	\$ 9,710	\$ 15,510	\$ 6,975	\$ 15,121	\$ 7,658	\$ 367,717
Receipts:						
Utility fees	-	-	-	48,090	-	285,198
Other receipts	60,000	7,800	6,420	-	-	953,058
Total receipts	60,000	7,800	6,420	48,090	-	1,238,256
Disbursements:						
Personal services	-	-	-	-	-	84,784
Supplies	-	-	-	-	-	65,334
Other services and charges	-	-	-	-	7,658	306,232
Debt service - principal and interest	57,810	18,870	-	-	-	76,680
Utility operating expenses	-	-	5,400	47,735	-	276,341
Other disbursements	-	-	-	-	-	454,317
Total disbursements	57,810	18,870	5,400	47,735	7,658	1,263,688
Excess (deficiency) of receipts over disbursements	2,190	(11,070)	1,020	355	(7,658)	(25,432)
Cash and investments - ending	\$ 11,900	\$ 4,440	\$ 7,995	\$ 15,476	\$ -	\$ 342,285

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

	General	Motor Vehicle Highway	Local Road And Street	Economic Development Operating	Law Enforcement Continuing Ed	Main Street Development	Riverboat
Cash and investments - beginning	\$ 27,844	\$ 56,825	\$ 37,355	\$ 225	\$ 4,094	\$ -	\$ 75,277
Receipts:							
Taxes	205,054	23,915	-	-	-	51,000	-
Intergovernmental	73,629	51,759	10,306	-	-	-	56,456
Charges for services	7,038	-	-	-	5	-	-
Fines and forfeits	1,055	-	-	-	690	-	-
Utility fees	-	-	-	-	-	-	-
Other receipts	42,828	295	-	-	-	-	32,746
Total receipts	<u>329,604</u>	<u>75,969</u>	<u>10,306</u>	<u>-</u>	<u>695</u>	<u>51,000</u>	<u>89,202</u>
Disbursements:							
Personal services	137,889	31,584	-	-	-	-	-
Supplies	23,673	14,805	-	-	-	-	-
Other services and charges	71,445	7,410	240	-	-	-	70,643
Debt service - principal and interest	5,847	-	-	-	-	-	-
Capital outlay	-	-	16,075	-	-	-	-
Utility operating expenses	-	-	-	-	-	-	-
Other disbursements	30,000	25,500	25,500	-	-	-	32,746
Total disbursements	<u>268,854</u>	<u>79,299</u>	<u>41,815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>103,389</u>
Excess (deficiency) of receipts over disbursements	<u>60,750</u>	<u>(3,330)</u>	<u>(31,509)</u>	<u>-</u>	<u>695</u>	<u>51,000</u>	<u>(14,187)</u>
Cash and investments - ending	<u>\$ 88,594</u>	<u>\$ 53,495</u>	<u>\$ 5,846</u>	<u>\$ 225</u>	<u>\$ 4,789</u>	<u>\$ 51,000</u>	<u>\$ 61,090</u>

TOWN OF SUMMITVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Rainy Day	Levy Excess	Police Equipment (Not Debt Service)	SRF Fund match	Cumulative Capital Improvement	Community Center
Cash and investments - beginning	\$ 991	\$ 529	\$ 495	\$ -	\$ 5,166	\$ 904
Receipts:						
Taxes	-	-	-	-	-	-
Intergovernmental	-	-	-	-	3,130	-
Charges for services	-	-	-	-	-	998
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	-	42,000	-	180
Total receipts	-	-	-	42,000	3,130	1,178
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	741
Other services and charges	-	-	328	-	5,501	733
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	529	-	-	-	180
Total disbursements	-	529	328	-	5,501	1,654
Excess (deficiency) of receipts over disbursements	-	(529)	(328)	42,000	(2,371)	(476)
Cash and investments - ending	<u>\$ 991</u>	<u>\$ -</u>	<u>\$ 167</u>	<u>\$ 42,000</u>	<u>\$ 2,795</u>	<u>\$ 428</u>

TOWN OF SUMMITVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	War Memorial	Main Street Construction	Park And Recreation Improvements	Town Hall Construction	Payroll	Insurance-Other
Cash and investments - beginning	\$ 1,909	\$ 4,642	\$ 2,822	\$ 62	\$ 316	\$ 321
Receipts:						
Taxes	-	-	8,111	-	-	-
Intergovernmental	-	-	49	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	15,662	8	-	158,709	-
Total receipts	-	15,662	8,168	-	158,709	-
Disbursements:						
Personal services	-	-	-	-	156,540	-
Supplies	-	-	494	-	-	300
Other services and charges	-	-	6,891	-	-	-
Debt service - principal and interest	-	-	-	-	-	-
Capital outlay	-	15,662	-	-	-	-
Utility operating expenses	-	-	-	-	-	-
Other disbursements	-	-	-	-	-	-
Total disbursements	-	15,662	7,385	-	156,540	300
Excess (deficiency) of receipts over disbursements	-	-	783	-	2,169	(300)
Cash and investments - ending	<u>\$ 1,909</u>	<u>\$ 4,642</u>	<u>\$ 3,605</u>	<u>\$ 62</u>	<u>\$ 2,485</u>	<u>\$ 21</u>

TOWN OF SUMMITVILLE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CASH AND INVESTMENT BALANCES - REGULATORY BASIS
 For The Year Ended December 31, 2011
 (Continued)

	Wastewater Utility Operating	Wastewater Utility Bond & Interest	Wastewater Utility Sinking	IDEM	Trash	Totals
Cash and investments - beginning	\$ 82,697	\$ 11,900	\$ 4,440	\$ 7,995	\$ 15,476	\$ 342,285
Receipts:						
Taxes	-	-	-	-	-	288,080
Intergovernmental	-	-	-	-	-	195,329
Charges for services	-	-	-	-	-	8,041
Fines and forfeits	-	-	-	-	-	1,745
Utility fees	247,616	-	-	-	51,963	299,579
Other receipts	-	60,000	7,800	6,420	-	366,648
Total receipts	<u>247,616</u>	<u>60,000</u>	<u>7,800</u>	<u>6,420</u>	<u>51,963</u>	<u>1,159,422</u>
Disbursements:						
Personal services	-	-	-	-	-	326,013
Supplies	-	-	-	-	-	40,013
Other services and charges	-	-	-	-	-	163,191
Debt service - principal and interest	-	66,900	7,188	-	-	79,935
Capital outlay	-	-	-	-	-	31,737
Utility operating expenses	156,920	-	-	6,400	61,553	224,873
Other disbursements	133,733	-	-	-	-	248,188
Total disbursements	<u>290,653</u>	<u>66,900</u>	<u>7,188</u>	<u>6,400</u>	<u>61,553</u>	<u>1,113,950</u>
Excess (deficiency) of receipts over disbursements	<u>(43,037)</u>	<u>(6,900)</u>	<u>612</u>	<u>20</u>	<u>(9,590)</u>	<u>45,472</u>
Cash and investments - ending	<u>\$ 39,660</u>	<u>\$ 5,000</u>	<u>\$ 5,052</u>	<u>\$ 8,015</u>	<u>\$ 5,886</u>	<u>\$ 387,757</u>

TOWN OF SUMMITVILLE
SCHEDULE OF LEASES AND DEBT
December 31, 2011

Description of Debt		Ending Principal Balance	Principal and Interest Due Within One Year
Type	Purpose		
Governmental activities:			
Notes and loans payable	Police Vehicle Loan	\$ 11,321	\$ 5,847
Wastewater:			
Revenue bonds	Sewage Revenue Bonds of 1997	270,000	54,445
Revenue bonds	Sewage Revenue Bonds of 1999	120,000	21,300
Total Wastewater		390,000	75,745
Totals		\$ 401,321	\$ 157,337

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS

CONDITION OF FINANCIAL RECORDS

Financial records presented for examination were inaccurate and did not reconcile to the bank accounts at December 31, 2011. The financial records of the Town were maintained manually. The records contained numerous errors related to receipts which affected cash balances. During the examination, we discovered several instances where monies received were not receipted or recorded in the financial records or were not recorded to the appropriate fund. The following is a list of errors and reconciling items discovered during the examination:

1. The Public Safety COIT distribution for June 2010 was recorded in the Riverboat Fund in the amount of \$1,624, but should have been recorded to the General Fund.
2. The Slot Machine Wagering distribution for June 2010 was recorded in the General Fund in the amount of \$4,369, but should have been recorded in a Slot Machine Wagering Fund which had not been established.
3. The Wastewater and Trash collections for June 27, November 29, and November 30, 2011, totaling \$2,634 were electronically deposited to the bank account, but were not receipted or recorded in the records.
4. A December 2011, state distribution was electronically deposited to the bank account on December 2, 2011, in the amount of \$5,248, but was not receipted or recorded in the records.
5. The June 2011 state distribution for Local Road and Street in the amount of \$920 was not entered as a receipt in the manual records. However the total receipts for the year and cash balance for the Local Road and Street Fund on the financial statement and manual ledger reflect the receipt of \$920. Therefore, the total of the receipt transactions in the manual records did not agree to the year to date total documented in the ledger and reported in the financial statement.
6. Wheel tax distributions for January through October 2010 were recorded in the Local Road and Street Fund, but, should have been receipted in the Motor Vehicle Highway Fund. A transfer was made to Motor Vehicle Highway from Local Road and Street, but did not include all wheel tax distributions receipted into Local Road and Street Fund. Wheel tax distributions remaining in the Local Road and Street Fund totaled \$3,200.
7. The August 2011 Motor Vehicle Highway distribution in the amount of \$616 was recorded in the Local Road and Street Fund and the Local Road and Street distribution in the amount of \$183 was recorded in the Motor Vehicle Highway Fund.
8. The Park and Motor Vehicle Highway 2011 portions of the June CVET distribution, totaling \$18, were not recorded in the financial records.

Because of the errors in maintaining the financial records, the original financial statements presented for examination were incorrect. Due to the materiality of some errors in relation to individual fund receipts and cash balances for 2011, some adjustments were required for the 2011 financial statement to be fairly presented. The adjustments to correct material errors were discussed with and approved by the Town officials and are reflected in the financial statements presented.

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

All financial transactions pertaining to the governmental unit should be recorded in the records of the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INCORRECT REPORTING AND UNTIMELY SUBMISSION OF ANNUAL REPORT

The Annual Report for 2010 was not completed properly. None of the receipts were classified into the appropriate receipt categories. All receipts were reported as "Other." This was discussed with the prior Clerk-Treasurer during the prior examination, but was not corrected. The current Clerk-Treasurer submitted the 2011 Annual Report in which the receipts were classified by type appropriately.

The Town filed their 2011 Annual Report with the State Board of Accounts on May 25, 2012, which was not within 60 days after the close of the fiscal year as required by law.

Indiana Code 5-11-1-4 (a) states in part:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year."

INTERNAL CONTROLS OVER RECEIPTS

Proper internal controls were not in place during the examination period for issuing and recording receipts. Receipts were not issued at the time monies were received. Duplicate or carbon copies of receipts presented for examination indicated that receipts were not issued in date order, receipts were issued twice for the same monies, and receipts were not issued for all monies received.

On numerous occasions, receipts were issued in the subsequent month and back dated to the prior month. Receipts for monies collected and deposited by Indiana American Water (IAW) for wastewater and trash bills were issued and recorded for the entire month and were based on actual deposits per the bank statement rather than collection reports provided by IAW. This occurred every month during the examination period.

Receipts were also duplicated on several occasions. The Clerk-Treasurer or Town Clerk would issue a receipt and, a few receipts later, the other individual would issue a receipt for the same monies collected.

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Additionally, there were several instances where monies were received and deposited, but receipts were not issued or recorded. Due to the weaknesses in controls over issuing and recording receipts, numerous errors in the financial records occurred and remained undetected, as noted in the Condition of Financial Records comment above.

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)

All documents and entries to records should be done in a timely manner to ensure that accurate financial information is available to allow the governmental unit to make informed management decisions and to help ensure compliance with IC 5-15-1-1 et seq., commonly referred to as the Public Records Law. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

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)

INTERNAL CONTROLS OVER DISBURSEMENTS

Internal controls over disbursements were insufficient. The following is a list of weaknesses noted:

1. The actions of the Town Council were not clearly indicated in the record of minutes. Important details, such as contractor names, amounts, and purposes, were not included in the minutes. Also, council motions and votes were not always clearly noted in the minutes.
2. Claims to support disbursements were not filed or maintained in a manner that would provide accountability for all disbursements. Claims were not filed by voucher number, check number, vendor name, or any other reasonable method.
3. Procedures for approval of claims were inconsistent. Some claims were signed individually by the governing body and then also listed on the Accounts Payable Voucher Register while other claims were signed and not listed on the Accounts Payable Voucher listing. Additionally, some claims were not signed or included on Accounts Payable Voucher Register, but indicated that the disbursement was approved by the governing body in a board meeting. Accounts Payable Voucher Registers were altered on several occasions without any evidence that the governing body approved the changes to the register. Claims were added and total claim amounts allowed were changed.
4. Controls were insufficient to ensure that bills were paid in a timely manner. The Town has a resolution that authorizes the prepayment of certain expenses to ensure that bills were paid timely and without penalty. However, numerous bills were paid late and penalties were incurred.
5. Controls were insufficient to ensure that bills were not paid prior to governing body approval, unless authorized. Accounts Payable Voucher Registers were signed after some disbursements were issued. The Town has a resolution that authorizes the prepayment of certain expenses; however, many of the disbursements made in advance of approval were not included in the resolution.

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

6. Controls to ensure that all disbursements were supported by adequate documentation were not sufficient. The governing body or another responsible individual did not adequately review the claims prior to approving disbursements.

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)

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)

BANK ACCOUNT RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were prepared during 2011, but were incorrect. The prior Clerk-Treasurer did not have the bank and financial records reconciled when leaving office on December 31, 2011. The last reconciliation completed by the prior Clerk-Treasurer was for November 2011 and was incorrect. The reconciliation did not include several receipts that were deposited and not recorded for June and November 2011. The bank reconciliation presented for December 31, 2011, did not reconcile by \$6,906.55. After including the unrecorded receipts and additional reconciling items for December which were discovered during the examination, the December 31, 2011 bank reconciliation indicated \$78.69 of monies in the bank that were unidentified and not included in the records.

Indiana Code 5-13-6-1(e) states in part: "All local investment officers shall reconcile at least monthly the balance of public funds, as disclosed by the records of the local officers, with the balance statements provided by the respective depositories."

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)

Outgoing Clerk-Treasurers and Controllers should completely post and balance their records before turning them over to their successors in office on January 1. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 61)

INSURANCE DEDUCTIBLE REIMBURSEMENTS

A review of insurance deductible reimbursements identified several issues. Multiple resolutions have been passed over the years concerning payment of the deductibles; they are explained below:

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

- The Town passed Resolution 2008-3-B on July 8, 2008, concerning insurance deductibles which stated: "Town of Summitville will no longer reimburse employees for their deductible reimbursed at \$500 per person; each employee is responsible for their own deductible. Each employee will receive a health savings account." The resolution was made retroactive to June 1, 2008."
- Resolution 2009-10-B regarding health savings accounts was passed on November 24, 2009 and stated: "Each year the Town will deposit into the employees account a total of \$3,000 per employee to help cover their deductible." The resolution was made retroactive January 2009 benefits."
- Another resolution or ordinance regarding insurance deductibles and health savings accounts was not passed until February 21, 2012. The 2012 Salary Ordinance 549-A (Section Seven) states: "Town will deposit \$3,000 in a health savings account for each insured Employee to be used towards said deductibles. Town will pay an additional \$3,000 towards the family plan deductible upon presentation of verified expenses." This ordinance did not state that it was retroactive. Section seven of this ordinance was new for 2012 and did not appear in any of the prior salary ordinances.

During 2011, the prior Clerk-Treasurer made payments to the former Street Superintendent for insurance deductibles for the years 2009, 2010, and 2011. The resolutions governing those years did not allow for reimbursements for insurance deductibles. The Town Council minutes were vague and the council actions were unclear regarding approval of these transactions. The February 8, 2011 council minutes indicated the council would "allow \$3,000 on family to be brought in and covered up to \$3,000"; however, the minutes did not indicate whether this approval was in relation to the 2010 or 2011 deductibles. The March 18, 2011 council minutes indicated the council approved payment of 2009 medical bills in the amount of \$1,896; however, this amount does not agree to the amount paid to the Street Superintendent. The deductible payments were listed on the Accounts Payable Voucher Registers which were signed by the governing board. However, according to the resolutions in effect during the periods noted and the vagueness of the council minutes, the payments to the Street Superintendent during 2011, totaling \$8,247.25, were questionable due to lack of documentation regarding board approval.

In addition to lack of documentation of Board approval, some reimbursements were not supported by adequate documentation, were reimbursed twice, or were not for an eligible individual. Details are listed below:

- Reimbursement for \$807.16 was made for a medical bill that was not for an eligible person. The medical bill attached to the claim was for the prior Clerk-Treasurer. This was not for an eligible plan member. This amount should not have been reimbursed to the former Street Superintendent, based on information provided for the examination period.
- Two medical bills, totaling \$107.48, were reimbursed twice. Bills were duplicated and should not have been reimbursed to the former Street Superintendent.
- One medical bill for \$34.00 was for 2008 which was not an allowable deductible period. This amount should not have been reimbursed to the former Street Superintendent, based on information provided for the examination period.
- Reimbursement for \$1,804.33 was made based on a copy of a credit report showing medical expenses that went to a collection agency. The credit report did not include the name of the person or detailed information about the medical bills. The former Street

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Superintendent provided additional information regarding the bills related to the credit report. The medical bills were for 2008. This amount should not have been reimbursed to the former Street Superintendent, based on information provided for the examination period.

- Reimbursements, totaling \$1,049.46, were made based on collection agency notices for eligible plan members, but did not provide the service dates of the medical expenses to ensure they were incurred within an allowable deductible period. These reimbursements were considered questionable because of insufficient documentation.

A table has been provided below which summarizes the issues identified above with the health insurance reimbursements:

Reimbursement Date	Reimbursement Amount	Deductible Year	Town Council Approval	Not Allowed Based on Documentation Provided	Questionable Insufficient Documentation Provided
02-16-11	\$ 2,496.00	2010	Unclear	\$ 880.64	\$ 878.85
04-08-11	1,804.33	2009	\$1,896.00	1,804.33	-
09-07-11	2,408.25	2009-2011	Unclear	68.00	170.61
11-02-11	<u>1,538.67</u>	2011	Unclear	<u>-</u>	<u>-</u>
Totals	<u>\$ 8,247.25</u>			<u>\$ 2,752.97</u>	<u>\$ 1,049.46</u>

The issues noted above were discussed with the prior Clerk-Treasurer, current Council President, and former Street Superintendent on various dates. Additional information was provided by the former Street Superintendent for the bill totaling \$1,804.33 which indicated the bill was actually for 2008. On October 31, 2012, the Town council reviewed the additional information provided by the former Street Superintendent and the other deductible claims paid during 2011 and retroactively approved the deductible payments for 2008-2011 totaling \$7,332.61. The Town Council's approval did not include the \$807.16 or the \$107.48 payments noted above.

The former Street Superintendent repaid the Town \$807.16 on October 8, 2012.

As of December 3, 2012, the former Street Superintendent has not repaid \$107.48, which is due to the town.

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)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

HEALTH INSURANCE PREMIUMS PAID BY THE TOWN FOR PERSONAL POLICIES

During the examination period, the Town paid for health insurance premiums for employee's personal insurance policies. The Town was billed for health insurance premiums for three Town employees under a "List Bill" agreement and one employee's premiums were billed directly to the employee. None of the policies were considered to be group coverage policies. The "Employee List Bill Agreement" specifically stated the following:

"This is not small group coverage."

"Your employer is not contributing in any way toward the payment of your premium."

"Your employer will deduct 100% of the premium for your individual health insurance coverage from your paycheck and submit it directly to the Insurance Company on your behalf."

However, during 2010 and 2011, the Town paid for all but \$15 of each employee's monthly health insurance premium. The premiums were paid directly to the insurance companies from Town funds and only the \$15 per month was deducted from the employees' paychecks. The amount of insurance premiums paid by the Town for employee's personal insurance policies for 2010 and 2011 was \$24,402 and \$34,750, respectively.

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)

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)

CELLULAR PHONE USAGE AND CHARGES

The Town passed Resolution 2009-10-A, on November 10, 2009, entitled Regulating Cell Phones for Town Employees. The Resolution states "Each employee is responsible at the end of the year or at the end of their employment to pay back to the town the amount of over usage fees incurred for the entire year." The former Street Superintendent and Wastewater Superintendent incurred additional usage charges during 2010 and 2011 that were not reimbursed. The usage charges were in addition to the normal monthly cellular phone bills and were not supported by adequate documentation, such as phone usage logs, to support the charges were for purposes related to Town business. Usage charges included fees for downloads and data. Usage charges incurred during 2010 and 2011 by the former Street Superintendent totaled \$527.11 and by the Wastewater Superintendent totaled \$4.49. The former Street Superintendent left employment from the Town on March 31, 2012. Reimbursement was requested from the former Street and Wastewater Superintendents for the usage charges.

The former Street Superintendent made payment of \$527.11 to the Town on October 1, 2012. The Wastewater Superintendent made payment of \$4.49 to the Town on October 31, 2012.

In addition to usage charges, the Town purchased a cellular phone for \$199.99 in December 2011 for the Town Marshall which was activated on his personal cellular phone plan.

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

Assets of the governmental unit may not be used in a manner unrelated to the functions and purposes of the governmental unit.

Whenever an item or other asset owned by the political subdivision is entrusted to an officer or employee, to be used at times outside the normal work time for business purposes, such as a cellular phone, or vehicle, a log should be maintained which clearly shows the business use. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES AND INTEREST ON PAYROLL TAXES

Quarterly Forms 941 were not properly completed and filed with the Internal Revenue Service during 2010 and 2011. Additionally, Form WH-3 for 2011 filed with the Indiana Department of Revenue did not agree with the taxes remitted for 2011. As a result of the inaccurate reporting and late filing, delinquent taxes and penalties and interest related to 2010 and 2011 were paid in 2012. Delinquent taxes in the amount of \$5,036.73 and \$107.42 were paid to the Internal Revenue Service and Indiana Department of Revenue, respectively. Additionally, penalties and interest totaling \$1,132.89 and \$13.26 were paid to the Internal Revenue Service and Indiana Department of Revenue, respectively.

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)

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 SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

LATE FEES AND FINANCE CHARGES

Numerous instances were noted where amounts payable to vendors and other suppliers of goods and services were not paid timely. A review of claims for 2010 and 2011 indicated late fees were paid in 2010 totaling \$482.54 and in 2011 totaling \$327.70. In addition to late fees, finance charges were also incurred due to late payments. Finance charges were paid in 2010 totaling \$132.43 and in 2011 totaling \$221.55. There may have been additional late fees and finance charges paid that could not be determined because some statements indicated a previous balance that did not specifically break out the charges.

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)

ERRORS ON CLAIMS

A test of disbursements for 2010 and 2011 was performed. The following deficiencies were noted in the disbursements tested during the examination period:

1. Claims were not presented for all disbursements. One claim was not presented for 2010 and three claims were not presented for 2011.
2. Claims were not adequately itemized or were not accompanied by adequate supporting documentation.
3. Some claims did not have Board approval.

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

TOWN OF SUMMITVILLE
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."

TEMPORARY TRANSFER OF FUNDS

A temporary transfer of \$40,000 was made in January 2011 from the Riverboat Fund to the General Fund. The Town Council minutes indicated the approval of repayment of the temporary transfer and the repayment transfer was also listed on the Accounts Payable Voucher Register, but the repayment transfer was not completed. Therefore, the temporary transfer was still outstanding as of December 3, 2012.

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . .

(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following: (1) Passes an ordinance or a resolution that contains the following: (A) A statement that the fiscal body has determined that an emergency exists. (B) A brief description of the grounds for the emergency. (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs. (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

APPROPRIATIONS

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

Fund	Years	Excess Amount Expended
General	2010	\$ 8,707
Local Road and Street	2010	12,948
Cumulative Capital Improvement	2010	1,547
Motor Vehicle Highway	2011	17,569
Local Road and Street	2011	26,815

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."

TOWN OF SUMMITVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

SLOT MACHINE WAGERING FUND

Slot machine wagering distributions received in 2010 and 2011 were receipted into the Riverboat Fund. Effective July 1, 2009, a separate fund was to be established for slot machine wagering monies. The Town did not establish such a fund. Slot machine wagering monies were comingled with riverboat monies and disbursements from the Riverboat Fund did not distinguish the type of monies used. Therefore the amount of slot machine wagering monies remaining in the Riverboat Fund could not be determined.

Indiana Code 36-1-8-9.2 "Separate fund for deposit of county slot machine wagering fee revenue" states:

"(a) Each unit that receives:

- (1) tax revenue under IC 4-35-8.5; or
- (2) revenue under an agreement to share the tax revenue received under IC 4-35-8.5 by another unit; shall establish a fund, separate from the unit's general fund, into which the revenue shall be deposited. Money in the fund may be used for any legal or corporate purpose of the unit.

(b) The fund established by subsection (a) shall be administered by the unit's treasurer, and the expenses of administering the fund shall be paid from money in the fund. Money in the fund not currently needed to meet the obligations of the fund may be invested in the same manner as other public funds may be invested. Interest that accrues from these investments shall be deposited in the fund. Money in the fund at the end of a particular fiscal year does not revert to the unit's general fund."

ANNUAL REPORT NOT FILED BY DEADLINE

The Town filed their 2011 Annual Report with the State Board of Accounts on May 25, 2012, which was not within 60 days after the close of the fiscal year as required by law.

Indiana Code 5-11-1-4 (a) states:

"The state examiner shall require from every municipality and every state or local governmental unit, entity, or instrumentality financial reports covering the full period of each fiscal year. These reports shall be prepared, verified, and filed with the state examiner not later than sixty (60) days after the close of each fiscal year. The reports must be filed electronically, in a manner prescribed by the state examiner that is compatible with the technology employed by the political subdivision."

CAPITAL ASSET RECORDS

The Town did not maintain capital asset records.

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)

TOWN OF SUMMITVILLE
EXIT CONFERENCE

The contents of this report were discussed on December 3, 2012, with Kelley Kornbroke, Clerk-Treasurer; Bart Matney, President of Town Council; and Scott Kornbroke, Council member.

The contents of this report were also discussed on December 3, 2012, via phone, with Veronica A. Hendrick, prior Clerk-Treasurer. The Official Response has been made a part of this report and may be found on page 35.

To Whom It May Concern:

Being the Clerk for The Town of Summitville for the past 5 years was not contacted by the State Board of Accounts before or during the audit process, whereas in the past 3 audits that I have went through with the town, the current clerk and the previous clerk were notified along with the current council president and previous council president, prior to the audit, during the audit, and at the end of the audit, making the lines of communication open and allowing a lot of questions to be ask and cleared up at the time of inspection of numerous records. Previous audits have come and went with no major problems and all persons involved have been satisfied with the outcome and has proven to help tremendously with the new clerk/clerk's transition and future needs. I have followed previous practice on Receipts and Disbursement Controls along with keeping track of the accounts balances throughout the month in the general journals and finalizing written verification in ink when all balances were verified with bank statements reconciling. The condition of financial records upon me and my staff leaving office were organized in banker's boxes, chronologically by month. And sealed with duct tape and initialed. Each month the claims, checks, and receipts were compiled and archived in numerical order documenting upon completion, by the deputy clerk and, upon leaving office were left in this state. When leaving office we were never notified by the current clerk or any of her staff or family that they wanted to come in and familiarize with the office or the procedures of the accounts or accounting practices or how things were handled in office as passed down from previous clerks. Resulting in numerous errors and mistakes being presented in the year-end report along with inappropriate fund balances being brought forward for the 2012 year, all adjustments and errors would have been traced at the end of the year in preparation for the year-end report as done in the past, correcting any errors. As states all receipts were reported as *other*, this could have also been explained to the incoming clerk as stated above which would have aided her in the preparation of the year end totals.

Insurance deductibles reimbursed to the Street Superintendent were ALL approved by council members prior to checks being wrote to him, he personally took the claim forms to council members and had them review and sign prior to money being paid, those claim forms are "MISSING" along with some of the Claim Forms with no explanation from the current staff. Along with approval in board meetings, which I understand were not clearly documented so that someone new coming in could understand, although there was NO attempt to contact prior council members for verification of this matter. There was only contact made to the current council president which was not on the board at that time, along with Mr. Kornbroke whom did not attend even 1/3 of the yearly meetings for the audit time. During the audit the auditor met with the Street Superintendent and verification of the medical bills were submitted from the original creditors and clearance of unsubstantiated bills were repaid. Also the Health Insurance agent who sold the policies to the town did not mention any of the items STATED in the COMMENTS therefore leading the council to believe that it was ok to purchase a policy in this manner.

Cell Phones and Charges were also addressed as explained, we kept a running total in the office and should have been billed to the employees as we told the incoming clerk when we turned over the keys, by my Deputy Clerk. The Town Council made the decision that since they do not pay for the Town Marshalls phone service monthly that they would like for him to be able to obtain an upgraded phone for better service usage on his plan at the expense of the town. The Riverboat Loan was also explained to the incoming clerk as needing to get repaid with the claim form prepared and ready for an inner fund transfer to be made after balancing was done for the month of December 2011 on the day we turned over keys.

Respectfully,

Veronica Hendrick

Veronica Hendrick 12/11/2012