

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

FINANCIAL STATEMENTS EXAMINATION REPORT

OF

TOWN OF RUSSELLVILLE

PUTNAM COUNTY, INDIANA

January 1, 2010 to December 31, 2011



FILED
01/24/2013

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Accountant's Report.....	3
Financial Statements:	
Statements of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	6-7
Notes to Financial Statements	8-11
Supplementary Information:	
Combining Schedules of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	14-15
Schedule of Payables and Receivables	16
Examination Results and Comments:	
Utility Receipts Tax	17
Penalties, Interest, and Other Charges	17
Capital Asset Records	17
Timely Recordkeeping	18
Ordinances and Resolutions	18
Fund Sources and Uses	18
Annual Report.....	19
Exit Conference.....	20

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sally Spencer McAfee DeVon Davis	01-01-08 to 12-31-11 01-01-12 to 12-31-15
President of the Town Council	Donald W. Reddish	01-01-10 to 12-31-12



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF RUSSELLVILLE, PUTNAM COUNTY, INDIANA

We have examined the accompanying financial statements of the Town of Russellville (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, and Schedule of Payables and Receivables, 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

November 26, 2012

(This page intentionally left blank.)

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 RUSSELLVILLE
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 Fund	\$ 14,224	\$ 71,692	\$ 53,515	\$ 32,401
Motor Vehicle Highway	32,083	13,384	13,274	32,193
Local Road & Street	3,602	2,107	-	5,709
Local Law Enf Cont Ed	495	110	-	605
Cum Cap Imp - Cig Tax	6,877	2,045	-	8,922
Economic Dev Income Tax	32,281	6,674	-	38,955
Water Utility Operating	83,426	113,805	60,849	136,382
Water Guarantee Deposit	2,165	350	50	2,465
Totals	<u>\$ 175,153</u>	<u>\$ 210,167</u>	<u>\$ 127,688</u>	<u>\$ 257,632</u>

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

TOWN OF RUSSELLVILLE
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 Fund	\$ 32,401	\$ 48,044	\$ 60,426	\$ 20,019
Motor Vehicle Highway	32,193	14,854	17,492	29,555
Local Road & Street	5,709	2,243	-	7,952
Local Law Enf Cont Ed	605	100	361	344
Cum Cap Imp - Cig Tax	8,922	976	1,197	8,701
Economic Dev Income Tax	38,955	6,938	-	45,893
Water Utility Operating	136,382	121,298	88,867	168,813
Water Guarantee Deposit	2,465	450	2,040	875
Totals	<u>\$ 257,632</u>	<u>\$ 194,903</u>	<u>\$ 170,383</u>	<u>\$ 282,152</u>

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

TOWN OF RUSSELLVILLE
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, 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.

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 state,

TOWN OF RUSSELLVILLE
NOTES TO FINANCIAL STATEMENTS
(Continued)

local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

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

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

Penalties which include fees 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.

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 RUSSELLVILLE
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 RUSSELLVILLE
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.

(This page intentionally left blank.)

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Local Law Enf Cont Ed	Cum Cap Imp - Cig Tax	Economic Dev Income Tax	Water Utility Operating	Water Guarantee Deposit	Totals
Cash and investments - beginning	\$ 14,224	\$ 32,083	\$ 3,602	\$ 495	\$ 6,877	\$ 32,281	\$ 83,426	\$ 2,165	\$ 175,153
Receipts:									
Taxes	45,869	-	-	-	-	-	-	-	45,869
Licenses and permits	-	-	-	110	-	-	-	-	110
Intergovernmental	23,653	5,754	205	-	2,045	5,733	-	-	37,390
Charges for services	1	-	-	-	-	-	-	-	1
Utility fees	-	-	-	-	-	-	100,876	-	100,876
Penalties	-	-	-	-	-	-	1,787	-	1,787
Other receipts	2,169	7,630	1,902	-	-	941	11,142	350	24,134
Total receipts	71,692	13,384	2,107	110	2,045	6,674	113,805	350	210,167
Disbursements:									
Personal services	20,280	5,184	-	-	-	-	-	-	25,464
Supplies	2,126	425	-	-	-	-	-	-	2,551
Other services and charges	31,109	7,665	-	-	-	-	-	-	38,774
Utility operating expenses	-	-	-	-	-	-	39,809	50	39,859
Other disbursements	-	-	-	-	-	-	21,040	-	21,040
Total disbursements	53,515	13,274	-	-	-	-	60,849	50	127,688
Excess of receipts over disbursements	18,177	110	2,107	110	2,045	6,674	52,956	300	82,479
Cash and investments - ending	\$ 32,401	\$ 32,193	\$ 5,709	\$ 605	\$ 8,922	\$ 38,955	\$ 136,382	\$ 2,465	\$ 257,632

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

	General Fund	Motor Vehicle Highway	Local Road & Street	Local Law Enf Cont Ed	Cum Cap Imp - Cig Tax	Economic Dev Income Tax	Water Utility Operating	Water Guarantee Deposit	Totals
Cash and investments - beginning	\$ 32,401	\$ 32,193	\$ 5,709	\$ 605	\$ 8,922	\$ 38,955	\$ 136,382	\$ 2,465	\$ 257,632
Receipts:									
Taxes	24,873	5,043	-	-	-	-	-	-	29,916
Licenses and permits	-	-	-	100	-	-	-	-	100
Intergovernmental	15,753	196	-	-	976	4,911	-	-	21,836
Utility fees	-	-	-	-	-	-	121,196	-	121,196
Penalties	-	-	-	-	-	-	102	-	102
Other receipts	7,418	9,615	2,243	-	-	2,027	-	450	21,753
Total receipts	48,044	14,854	2,243	100	976	6,938	121,298	450	194,903
Disbursements:									
Personal services	21,653	5,282	-	-	-	-	-	-	26,935
Supplies	2,192	596	-	361	-	-	-	-	3,149
Other services and charges	36,581	11,614	-	-	-	-	-	-	48,195
Capital outlay	-	-	-	-	1,197	-	-	-	1,197
Utility operating expenses	-	-	-	-	-	-	83,058	-	83,058
Other disbursements	-	-	-	-	-	-	5,809	2,040	7,849
Total disbursements	60,426	17,492	-	361	1,197	-	88,867	2,040	170,383
Excess (deficiency) of receipts over disbursements	(12,382)	(2,638)	2,243	(261)	(221)	6,938	32,431	(1,590)	24,520
Cash and investments - ending	\$ 20,019	\$ 29,555	\$ 7,952	\$ 344	\$ 8,701	\$ 45,893	\$ 168,813	\$ 875	\$ 282,152

TOWN OF RUSSELLVILLE
 SCHEDULE OF PAYABLES AND RECEIVABLES
 December 31, 2011

Government or Enterprise	Accounts Payable	Accounts Receivable
Governmental activities	\$ 15,751	\$ -
Russellville Water Utility	-	1,259
Totals	\$ 15,751	\$ 1,259

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS

UTILITY RECEIPTS TAX (Applies to Water Utility)

The Water Utility did not pay Utility Receipts Tax to the Indiana Department of Revenue for the fourth quarter of 2010 or all of 2011.

Generally, retail receipts from all utility services consumed within Indiana are subject to the utility receipts tax regardless of the point of generation or transmission across state lines. Receipts from the provision of mobile telecommunication service are subject to utility receipts tax to the extent that the receipts are sourced to Indiana pursuant to IC 6-8.1-15. However, gross receipts received by a political subdivision for sewage and sewage service are not subject to the tax. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST, AND OTHER CHARGES (Applies to Town and Water Utility)

Penalties and interest totaling \$495 were assessed for late payments of Indiana sales tax in 2009, 2010 and 2011. These assessments have been paid by the former Clerk-Treasurer with her own personal funds.

Penalties and interest totaling \$342 were assessed for late payments of Indiana utility receipts tax in 2008 and 2009. These assessments have been paid by the former Clerk-Treasurer with her own personal funds.

Penalties and interest totaling \$538 were assessed for late payments of Federal withholding tax in 2011. These assessments have all been paid by the former Clerk-Treasurer with her personal funds.

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)

CAPITAL ASSET RECORDS (Applies to Town and Water Utility)

As stated in the previous four reports, records of the Town's capital assets and the Water Utility's capital assets are not maintained. During this examination period purchases were made, but they were not recorded on the City and Town Form 211.

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 RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

TIMELY RECORDKEEPING (Applies to Water Utility)

We noted instances of extended delays from the time a utility payment was left in the dropbox, until the date of receipt posting on the records and deposit to the bank. In 2011, utility payment deposits were made only once in the months of February, April, May and October. Utility payment deposits were made twice during the months of July, August, September, and December. Utility payment deposits were made three to five times during the remaining four months.

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)

Indiana Code 5-13-6-1(d) states: "A city (other than a consolidated city) or a town shall deposit funds not later than the next business day following the receipt of the funds in depositories (1) selected by the city or town as provided in an ordinance adopted by the city or the town; and (2) approved as depositories of state funds."

ORDINANCES AND RESOLUTIONS (Applies to Water Utility)

As stated in prior Report B37810, the Water Utility has an ordinance concerning delinquent accounts that requires that either service be shut-off or that an extension-of-time agreement be signed. However, the Water Utility did not always follow the requirements. One such instance involved the account for a Town Council member.

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)

FUND SOURCES AND USES (Applies to Town)

The Town spent \$5,520 of Motor Vehicle Highway Distributions on law enforcement purposes for 2010 and 2011. The calculated fifteen percent (15%) maximum, allowed by statute, to be disbursed for law enforcement purposes was \$2,716.

Indiana Code 8-14-1-5 allows cities and towns to use a portion of motor vehicle highway funds for law enforcement purposes, subject to the following limitations:

- (1) For cities and towns with a population of 5,000 or more, no more than 10% of the amounts distributed may be spent for law enforcement purposes.
- (2) For cities and towns with a population of less than 5,000, no more than 15% of the amounts distributed may be spent for law enforcement purposes.

(Cities and Towns Bulletin and Uniform Compliance Guidelines, December 2007)

TOWN OF RUSSELLVILLE
EXAMINATION RESULTS AND COMMENTS
(Continued)

ANNUAL REPORT (Applies to Town and Water Utility)

The 2010 and 2011 annual reports were not filed within sixty (60) days after year-end.

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."

TOWN OF RUSSELLVILLE
EXIT CONFERENCE

The contents of this report were discussed on November 26, 2012, with Sally Spencer McAfee, former Clerk-Treasurer, and Donald W. Reddish, President of the Town Council. The officials concurred with our findings.

The contents of this report were discussed on November 26, 2012, with DeVon Davis, Clerk-Treasurer.