

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

EXAMINATION REPORT
OF
TOWN OF PINES
PORTER COUNTY, INDIANA
January 1, 2002 to December 31, 2005



FILED
08/09/2006

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Officials	2
Independent Accountant's Report	3
Schedules of Receipts, Disbursements, and Cash and Investment Balances.....	4
Notes to Schedules	5
Examination Results and Comments:	
Condition of Records	6
Bank Reconciliations	6
Optical Images of Checks	7
Deposits	7
Prescribed and Approved Forms	7-8
Ordinances and Resolutions.....	8
Approval of Claims.....	8
Capital Asset Records	9
Official Bond	9
Exit Conference.....	10

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Melissa Combs	01-01-02 to 04-02-03
	Sandra L. Hall	04-03-03 to 12-31-07
President of the Town Council	Dolores Voss	01-01-02 to 12-31-03
	Cathi Murray	01-01-04 to 12-31-05
	Vanessa D. Sick	01-01-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF PINES, PORTER COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Pines (Town), for the period of January 1, 2002 to December 31, 2005. The Town's management is responsible for the schedules. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the schedule of receipts, disbursements, and cash and investment balances and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the schedules referred to above present fairly, in all material respects, the cash transactions of the Town for the years ended December 31, 2002, 2003, 2004, and 2005, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

June 15, 2006

TOWN OF PINES
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND FIDUCIARY FUND TYPES
As Of And For The Years Ended December 31, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Funds:				
General	\$ 11,634	\$ 89,406	\$ 85,538	\$ 15,502
Motor Vehicle Highway	41,219	23,230	10,757	53,692
Local Road and Street	35,024	13,207	14,881	33,350
Cumulative Capital Improvement	13,259	3,688	7,001	9,946
Fiduciary Fund:				
Excess Levy	<u>282</u>	-	-	<u>282</u>
Totals	<u>\$ 101,418</u>	<u>\$ 129,531</u>	<u>\$ 118,177</u>	<u>\$ 112,772</u>

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 15,502	\$ 77,307	\$ 90,164	\$ 2,645
Motor Vehicle Highway	53,692	25,689	31,055	48,326
Local Road and Street	33,350	12,650	29,250	16,750
Cumulative Capital Improvement	9,946	2,885	3,889	8,942
Fiduciary Fund:				
Excess Levy	<u>282</u>	<u>476</u>	-	<u>758</u>
Totals	<u>\$ 112,772</u>	<u>\$ 119,007</u>	<u>\$ 154,358</u>	<u>\$ 77,421</u>

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 2,645	\$ 117,616	\$ 100,824	\$ 19,437
Motor Vehicle Highway	48,326	26,570	36,358	38,538
Local Road and Street	16,750	13,137	1,650	28,237
Rainy Day Fund	-	16,498	-	16,498
Cumulative Capital Improvement	8,942	2,978	593	11,327
County Economic Development Income Tax (CEDIT)	-	39,511	-	39,511
Fiduciary Fund:				
Excess Levy	<u>758</u>	-	-	<u>758</u>
Totals	<u>\$ 77,421</u>	<u>\$ 216,310</u>	<u>\$ 139,425</u>	<u>\$ 154,306</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 19,437	\$ 109,934	\$ 112,446	\$ 16,925
Motor Vehicle Highway	38,538	26,407	48,199	16,746
Local Road and Street	28,237	13,366	15,200	26,403
Rainy Day Fund	16,498	16,498	-	32,996
Cumulative Capital Improvement	11,327	2,467	8,651	5,143
County Economic Development Income Tax (CEDIT)	39,511	39,511	18,038	60,984
Fiduciary Fund:				
Excess Levy	<u>758</u>	-	-	<u>758</u>
Totals	<u>\$ 154,306</u>	<u>\$ 208,183</u>	<u>\$ 202,534</u>	<u>\$ 159,955</u>

The accompanying notes are an integral part of the schedules.

TOWN OF PINES
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: public safety, health and social services, culture and recreation, and general administrative services.

Note 2. Fund Accounting

The Town uses funds to report on its cash and investments and the results of its operations on a cash basis. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain governmental functions or activities.

Note 3. Budgets

The operating budget is initially prepared and approved at the local level. In addition, funds for which property taxes are levied or highway use taxes are received are subject to final approval by the Indiana Department of Local Government Finance.

Note 4. Property Taxes

Property taxes levied are collected by the County Treasurer and are distributed to the Town in June and December. 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% 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 become delinquent if not paid by May 10 and November 10, respectively.

Note 5. Deposits and Investments

Deposits, made in accordance with Indiana Code 5-13, with financial institutions in the State of Indiana at year end were entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statute (IC 5-13-9) authorizes 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 6. Long-Term Debt

The Town has entered into a loan for \$21,401. The outstanding principal at December 31, 2005, was \$12,670.

TOWN OF PINES
EXAMINATION RESULTS AND COMMENTS

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping, were present during our period of audit:

1. The Town currently has three bank accounts. Depository reconcilements of the fund balances to the bank account balances were not presented for audit for the years 2002, 2003, 2004, and 2005.
2. The Town currently maintains hand written ledgers. Some of the entries are in pencil. Additionally, on numerous occasions, the ledgers were adjusted in subsequent periods.
3. The excess levy fund was not included in the Cities and Towns Annual Report for the years 2002, 2003, 2004, and 2005.
4. There were inconsistencies between disbursements posted to the ledger for the General Fund and what was reported in the Cities and Towns Annual Report for the years 2004 and 2005.

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."

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Indiana Code 5-3-1-3 provides the Clerk-Treasurer or Controller of each city and town shall have published an annual report of the receipts and expenditures of such city or town, showing the same "by funds and appropriations," within 60 days after the close of each calendar year. The total indebtedness at December 31 of such municipality must also be shown in this published report.

It is to be noted that the law does not require a listing of every receipt and warrant issued, but it does require that the report show the total of each classification of receipts for each fund and the total disbursements for each appropriation classification for each fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

BANK RECONCILIATIONS

Depository reconciliations of the fund balances to the bank account balances were not performed on a monthly basis throughout our audit period.

The current Clerk-Treasurer was given the opportunity to prepare the bank reconcilements at the time of our audit. Upon research, the following errors were discovered: an additional appropriation for the Motor Vehicle Highway Fund was posted as a receipt; the balance of the Excess Levy Fund was posted as a separate fund and also as an addition to the General Fund; interest for years 2001, 2002, and 2003 in the amount of \$4,671.71 was erroneously posted in 2004; the same interest along with interest for the first six months of 2004 was posted twice in 2004. The adjustments identified by the Town totaled \$16,286.24. After adjusting for the identified differences, the bank was in excess of the ledger balance as of December 31, 2005, in the amount of \$8,069.53.

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."

TOWN OF PINES
EXAMINATION RESULTS AND COMMENTS
(Continued)

OPTICAL IMAGES OF CHECKS

The financial institution did not return the original cancelled checks with the monthly bank statements, but instead returned only an optical image of the front side of the checks.

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

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

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

Further, Indiana Code 26-2-8-111(a) and (e) state in part:

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

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

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

DEPOSITS

Receipts were deposited between 12 and 194 days late. Also, some money was deposited prior to the issuance of a receipt.

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."

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)

PRESCRIBED AND APPROVED FORMS

The Town currently maintains three bank accounts. Town Form 219 (Clerk-Treasurer's Warrant) was not utilized for one of these accounts.

The receipts in use by the Town are not prescribed or approved forms. Composition of the receipts (i.e., cash, check, money order) is not indicated on the official receipts.

TOWN OF PINES
EXAMINATION RESULTS AND COMMENTS
(Continued)

The Town maintains investments in certificates of deposit, but the Town is not using the prescribed General Form No. 350, Investment Register.

Officials and employees are required to use State Board of Accounts prescribed or approved forms in the manner prescribed. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Page 51-10)

Each receipt shall note type of receipt (cash, check, money order, EFT, bank/credit card, other). (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 4)

ORDINANCES AND RESOLUTIONS

The Clerk-Treasurer currently receives \$100 per quarter for working out of her home. No ordinance or resolution was approved to allow for this payment.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

APPROVAL OF CLAIMS

In accordance with Indiana Code 36-5-4-12, the Town adopted an ordinance allowing the payment of certain claims prior to board approval.

Claim Ordinance - 2004 (Resolution No. 2004-02-04 - Ordinance No. 4) reads in part: "Pay such claims when due even if before the Council can sign the claim. These claims are:

AT&T Long Distance Telephone
SBC Ameritech Telephone
Any State or Federal Tax due
Any Insurance payment due to Auto Owners Insurance
NIPSCO Gas and Electric
Department of Water Works"

Twenty-seven percent of paid claims tested were paid prior to board approval. None of the claims paid prior to board approval were addressed in the Town's Claim Ordinance. For example, payments noted included association dues, equipment purchases, and compensation to a Town Council member.

Indiana Code 5-11-10-2(a) states: "Claims against a political subdivision of the state must be approved by the officer or person receiving the goods or services, be audited for correctness and approved by the disbursing officer of the political subdivision, and, where applicable, be allowed by the governing body having jurisdiction over allowance of such claims before they are paid. If the claim is against a governmental entity (as defined in section 1.6 of this chapter), the claim must be certified by the fiscal officer."

TOWN OF PINES
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town does not have a written capitalization policy or maintain a capital asset inventory.

The governing body should establish a capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Every governmental unit should have a complete inventory of all capital assets owned which reflect 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)

OFFICIAL BOND

The Clerk-Treasurers' official bonds were not filed in the office of the County Recorder for years 2002, 2003, and 2004.

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

TOWN OF PINES
EXIT CONFERENCE

The contents of this report were discussed on July 10, 2006, with Sandra L. Hall, Clerk-Treasurer; and Vanessa D. Sick, President of the Town Council. The officials concurred with our findings.