

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

EXAMINATION REPORT

OF

TOWN OF FREDERICKSBURG

WASHINGTON COUNTY, INDIANA

January 1, 2001 to December 31, 2005



FILED
08/21/2006

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Sandra Lambert	01-01-01 to 12-31-01
	Sherry Baker	01-01-02 to 12-31-02
	Christina Stevens	01-01-03 to 07-31-03
	Kathy Hammack	08-01-03 to 09-30-03
	Mary Lou Cook	10-01-03 to 12-31-06
President of the Town Council	Glenn H. McCrary	01-01-01 to 12-31-02
	Robert P. Keith	01-01-03 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 FREDERICKSBURG, WASHINGTON COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Fredericksburg (Town), for the period of January 1, 2001 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, 2001, 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

May 25, 2006

TOWN OF FREDERICKSBURG
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL FUND TYPES
As Of And For The Years Ended December 31, 2001, 2002, 2003, 2004, And 2005

	Cash and Investments 01-01-01	Receipts	Disbursements	Cash and Investments 12-31-01
Governmental Funds:				
General	\$ (4,668)	\$ 11,497	\$ 6,261	\$ 568
Motor Vehicle Highway	4,493	4,394	5,424	3,463
Local Road and Street	5,226	1,418	5,000	1,644
Park and Recreation	(109)	400	179	112
Donation	4	-	-	4
Grant	-	19,211	19,211	-
Escrow	2,755	-	2,755	-
Cumulative Capital Improvement	1,936	555	400	2,091
Economic Development Income Tax	71	-	-	71
Totals	\$ 9,708	\$ 37,475	\$ 39,230	\$ 7,953

	Cash and Investments 01-01-02	Receipts	Disbursements	Cash and Investments 12-31-02
Governmental Funds:				
General	\$ 568	\$ 5,114	\$ 5,156	\$ 526
Motor Vehicle Highway	3,463	3,059	2,447	4,075
Local Road and Street	1,644	748	571	1,821
Park and Recreation	112	-	112	-
Donation	4	-	-	4
Cumulative Capital Improvement	2,091	425	-	2,516
Economic Development Income Tax	71	-	-	71
Totals	\$ 7,953	\$ 9,346	\$ 8,286	\$ 9,013

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 526	\$ 4,424	\$ 9,607	\$ (4,657)
Motor Vehicle Highway	4,075	2,783	2,456	4,402
Local Road and Street	1,821	681	-	2,502
Donation	4	-	-	4
Cumulative Capital Improvement	2,516	333	-	2,849
Economic Development Income Tax	71	-	-	71
Totals	\$ 9,013	\$ 8,221	\$ 12,063	\$ 5,171

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ (4,657)	\$ 9,273	\$ 6,305	\$ (1,689)
Motor Vehicle Highway	4,402	2,904	2,442	4,864
Local Road and Street	2,502	704	-	3,206
Donation	4	-	-	4
Cumulative Capital Improvement	2,849	343	-	3,192
Economic Development Income Tax	71	-	-	71
Totals	\$ 5,171	\$ 13,224	\$ 8,747	\$ 9,648

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ (1,689)	\$ 4,014	\$ 5,450	\$ (3,125)
Motor Vehicle Highway	4,864	2,841	2,242	5,463
Local Road and Street	3,206	704	-	3,910
Donation	4	-	-	4
Cumulative Capital Improvement	3,192	284	-	3,476
Economic Development Income Tax	71	-	-	71
Totals	\$ 9,648	\$ 7,843	\$ 7,692	\$ 9,799

The accompanying notes are an integral part of the schedules.

TOWN OF FREDERICKSBURG
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town operates under a Town Council form of government and provides the following services: public safety (fire), highway and streets, culture and recreation, public improvements, general administrative services, and urban re-development and housing.

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.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS

ANNUAL REPORT

Annual Reports for the years 2001, 2002, 2003, 2004, and 2005 were not presented for audit.

Indiana Code 5-3-1-3(a) concerning annual reports, states in part: "Within sixty (60) days after the expiration of each calendar year, the fiscal officer of each civil city and town in Indiana shall publish an annual report of the receipts and expenditures of the city or town..."

PRESCRIBED FORMS

The following prescribed or approved forms were not always in use:

City and Town Form 39	Accounts Payable Voucher
City and Town Form 208	Ledger of Receipts, Disbursements, and Balances
City and Town Form 209	Ledger of Appropriations
City and Town Form 211	Capital Assets Ledger
City and Town Form 219	Clerk-Treasurer's Receipt

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)

BOARD MINUTES

Not all minutes of meetings of the Town Council were available for audit. The minutes of meetings of the Town Council that were available for audit did not contain the required information contained in Indiana Code 5-14-4.5-4.

Indiana Code 5-14-1.5-4 states, in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under Indiana Code 5-1.5-2-2.5 or Indiana Code 20-12-63-7."

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

CAPITAL ASSET RECORDS

The Town does not maintain a record of its capital assets.

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, City and Town Form 211, or properly approved form, as applicable. 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)

ERRORS ON CLAIMS

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

- (1) Claims were not prepared for all disbursements.
- (2) Claims were not adequately itemized.
- (3) All claims did not have board approval.
- (4) Claims or invoices did not have evidence to support receipt of goods or services.

Indiana Code 5-11-10-1.6 states, in part:

"(b) As used in this section, 'claim' means a bill or an invoice submitted to a governmental entity for goods or services."

"(c) The fiscal officer of a governmental entity may not draw a warrant or check for payment of a claim unless:

- (1) there is a fully itemized invoice or bill for the claim;
- (2) the invoice or bill is approved by the officer or person receiving the goods and services;
- (3) the invoice or bill is filed with the governmental entity's fiscal officer;
- (4) the fiscal officer audits and certifies before payment that the invoice or bill is true and correct; and
- (5) payment of the claim is allowed by the governmental entity's legislative body or the board or official having jurisdiction over allowance of payment of the claim."

PENALTIES, INTEREST AND OTHER CHARGES

During the review of paid invoices, several instances were noted where utility bills were being paid two and three months after the invoice dates and delinquent charges were being accessed and paid.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

APPROPRIATIONS

The Town did not have a legally adopted budget for the years 2001, 2003, 2004, and 2005. Therefore, all disbursements during these years from Town funds that required budgets were made in excess of budgeted appropriations. In 2002 a budget was legally adopted; however, disbursements were made in excess of approved appropriations. Disbursements from Town funds made in excess of appropriations are as follows:

<u>Fund</u>	<u>Years</u>	<u>Excess Amount Expended</u>
General	2001	\$ 6,261
Motor Vehicle Highway	2001	2,424
Park and Recreation	2001	179
Motor Vehicle Highway	2002	447
Park and Recreation	2002	112
General	2003	9,607
Motor Vehicle Highway	2003	2,456
General	2004	6,305
Motor Vehicle Highway	2004	2,442
General	2005	5,450
Motor Vehicle Highway	2005	2,242

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."

CONFLICT OF INTEREST

Robert Keith is a member of the Town Council and entered into a contract for mowing Town property on September 21, 2002. Robert Keith received \$300 in 2002; \$600 in 2003 and 2004; and \$1,200 in 2005 from the Town for mowing. A Uniform Conflict of Interest Disclosure Statement does not appear to have been filed.

TOWN OF FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 35-44-1-3 states, in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . ."

"(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . . (3) if the public servant; (A) is an elected public servant. . . . and (B) makes a disclosure under subsection (d)(1) through (d)(6)."

"(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . ."

"(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . ."

"(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

OFFICIAL BOND

The following official bonds were not filed in the Office of the County Recorder for the years 2003 through 2005:

Christina Stevens, Clerk-Treasurer, for her term of January 1, 2003 to July 31, 2003
Kathy Hammack, Clerk-Treasurer, for her term of August 1, 2003 to September 30, 2003
Mary Lou Cook, Clerk-Treasurer, for her term of October 1, 2003 to December 31, 2006

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 FREDERICKSBURG
EXAMINATION RESULTS AND COMMENTS
(Continued)

OVERDRAWN CASH BALANCES

The cash balance of the General Fund was overdrawn during the audit period. The cash balance of the General Fund was overdrawn at December 31, 2005, by \$3,125.

The cash balance of any fund may not be reduced below zero. Routinely overdrawn funds could be an indicator of serious financial problems which should be investigated by the governmental unit. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

A salary ordinance was not adopted to support the compensation paid to the Clerk-Treasurer and the Town Council members for the years 2001, 2002, 2003, 2004, and 2005.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing 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)

LIST OF EMPLOYEES NOT FILED WITH COUNTY TREASURER

Some officials or employees of the Town had money due from the Town, but a list of such employees was not certified to the County Treasurer.

Indiana Code 6-1.1-22-14(a) states, in part: "On or before June 1 and December 1 of each year . . . the disbursing officer of each political subdivision . . . shall certify the names and addresses of each person who has money due from the political subdivision to the treasurer of each county in which the political subdivision is located."

TOWN OF FREDERICKSBURG
EXIT CONFERENCE

The contents of this report were discussed on June 30, 2006, with Robert P. Keith, President of the Town Council; and Lisa Keith, Town Council Member. The officials concurred with our findings.