

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

EXAMINATION REPORT

OF

TOWN OF SPENCER

OWEN COUNTY, INDIANA

January 1, 2004 to December 31, 2005



**FILED**  
09/26/2006



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

TO: THE OFFICIALS OF THE TOWN OF SPENCER, OWEN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Spencer (Town), for the period of January 1, 2004 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, 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

August 31, 2006

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

	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
<b>Governmental Funds:</b>				
General	\$ 654,323	\$ 856,055	\$ 795,369	\$ 715,009
Motor Vehicle Highway	11,617	90,559	82,232	19,944
Local Road and Street	5,301	10,891	10,633	5,559
Parking Meter	48,597	34,952	31,418	52,131
Police Reserve	1,800	488	69	2,219
Law Enforcement Continuing Education	5,261	1,032	2,339	3,954
Police Training	513	230	-	743
Street Cut Repairs	21,316	-	-	21,316
Street Cut Permit	1,148	220	-	1,368
Board of Zoning Appeals	3,107	125	40	3,192
Drug Abuse Education	8,015	2,971	3,119	7,867
Canine Police	862	-	326	536
Canine - May	1,512	-	1,512	-
Riverboat	15,859	15,815	-	31,674
IF Systems Grant	28	-	-	28
Meth Grant CJI Drug Free	767	-	59	708
Clay-Vigo-Owen Waste Grant	-	10,000	10,000	-
Safety Equipment	100	3,000	6,363	(3,263)
Cops in School	(8,164)	49,259	21,657	19,438
Park and Recreation	4,075	5,000	4,835	4,240
Rainy Day	-	90,603	-	90,603
Cumulative Capital Improvement	133,964	9,359	2,008	141,315
Cumulative Capital Development	32,078	35,692	31,124	36,646
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	432,021	510,382	645,243	297,160
Wastewater Utility - Bond and Interest	-	144,000	132,311	11,689
Wastewater Utility - Depreciation	553,371	72,671	136,245	489,797
<b>Fiduciary Fund:</b>				
Payroll	11,973	752,822	752,428	12,367
<b>Totals</b>	<b>\$ 1,939,444</b>	<b>\$ 2,696,126</b>	<b>\$ 2,669,330</b>	<b>\$ 1,966,240</b>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
<b>Governmental Funds:</b>				
General	\$ 715,009	\$ 891,477	\$ 830,920	\$ 775,566
Motor Vehicle Highway	19,944	88,026	98,243	9,727
Local Road and Street	5,559	10,900	8,354	8,105
Parking Meter	52,131	26,837	22,390	56,578
Police Reserve	2,219	845	526	2,538
Law Enforcement Continuing Education	3,954	619	2,187	2,386
Police Training	743	860	450	1,153
Street Cut Repairs	21,316	5,455	-	26,771
Street Cut Permit	1,368	500	-	1,868
Board of Zoning Appeals	3,192	250	383	3,059
Drug Abuse Education	7,867	-	-	7,867
Canine Police	536	-	513	23
Riverboat	31,674	15,815	-	47,489
IF Systems Grant	28	-	-	28
Meth Grant CJI Drug Free	708	-	86	622
Clay-Vigo-Owen Waste Grant	-	10,000	10,000	-
Safety Equipment	(3,263)	14,339	10,027	1,049
Cops in School	19,438	24,242	25,488	18,192
Park and Recreation	4,240	5,000	2,756	6,484
Rainy Day	90,603	-	-	90,603
PR Fund	-	2,685	1,595	1,090
Economic Development Income Tax	-	425,846	-	425,846
Cumulative Capital Improvement	141,315	7,753	12,726	136,342
Cumulative Capital Development	36,646	35,432	15,908	56,170
<b>Proprietary Funds:</b>				
Wastewater Utility - Operating	297,160	466,402	560,776	202,786
Wastewater Utility - Bond and Interest	11,689	147,182	131,230	27,641
Wastewater Utility - Depreciation	489,797	92,729	346,133	236,393
Wastewater Utility - Debt Service Reserve	-	131,712	-	131,712
<b>Fiduciary Funds:</b>				
Levy Excess	-	4,829	-	4,829
Payroll	12,367	787,398	781,699	18,066
<b>Totals</b>	<b>\$ 1,966,240</b>	<b>\$ 3,197,133</b>	<b>\$ 2,862,390</b>	<b>\$ 2,300,983</b>

The accompanying notes are an integral part of the schedules.

TOWN OF SPENCER  
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. All property taxes collected by the County Treasurer and available for distribution were distributed to the Town on or prior to December 31 of the year collected.

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 SPENCER  
NOTES TO SCHEDULES  
(Continued)

Note 6. Pension Plan

Public Employees' Retirement Fund

Plan Description

The Town contributes to the Indiana Public Employees' Retirement Fund (PERF), 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 PERF 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% of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF 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:

Public Employees' Retirement Fund  
Harrison Building, Room 800  
143 West Market Street  
Indianapolis, IN 46204  
Ph. (317) 233-4162

Funding Policy and Annual Pension Cost

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

Note 7. Long-Term Debt

The Town has entered into various debts such as a State Revolving Fund Loan for wastewater line replacements and wastewater plant improvements and capital leases for a fire truck and a police car. The outstanding principal at December 31, 2005, was \$1,314,000 and \$82,240, respectively.

Note 8. Adjustment to January 1, 2004, Cash and Investment Balance

The cash and investment balance at January 1, 2004, has been adjusted to reflect certain investments previously disclosed but not included in the financial statements, as follows.

	<u>General Fund</u>
Cash and Investment Balance, 01-01-04	\$ 638,123
Adjustment for Corporate Stock	<u>16,200</u>
Adjusted Cash and Investment Balance, 01-01-04	<u>\$ 654,323</u>

TOWN OF SPENCER  
NOTES TO SCHEDULES  
(Continued)

Note 9. Subsequent Events

On February 21, 2006, the Town entered into a lease agreement for the purchase of a 2006 police vehicle. The lease requires three annual in advance payments of \$9,462, including interest.

On August 21, 2006, the Town passed Resolution 2006-3 authorizing the sale of 162 shares of Public Service Indiana Preferred Stock at \$100 per share par value.

TOWN OF SPENCER  
EXAMINATION RESULTS AND COMMENTS

ERRORS ON CLAIMS

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

A 2004 claim for charges against a police grant fund was supported by a charge card statement, but there were no receipts attached properly identifying the items charged. Also, two 2005 claims for cellular telephone usage did not include pages detailing the calls charged.

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."

FUND SOURCES AND USES

Funds were disbursed from the Meter Fund for the purchase of a vehicle.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

COMPENSATION AND BENEFITS

Some employees received cash payment for up to one week of unused vacation leave per year during the audit period. This policy was not included in the town personnel policy and authority could not be located in the board minutes, although the policy has been observed for several years. Provision for the additional compensation was not included in the salary ordinance or resolution.

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)

TOWN OF SPENCER  
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2006, with Linda Simmerman, Clerk-Treasurer, and Ed Hodge, President of the Town Council. The officials concurred with our findings.