

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

EXAMINATION REPORT

OF

TOWN OF MOUNT SUMMIT

HENRY COUNTY, INDIANA

January 1, 2003 to December 31, 2005



FILED
09/27/2006

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OFFICIALS

Office

Official

Term

Clerk-Treasurer

Sharon Jessup

01-01-96 to 12-31-07

President of the Town Council

Greg Kissick
Betty Gipe

01-01-03 to 08-12-04
08-13-04 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 MOUNT SUMMIT, HENRY COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Mount Summit (Town), for the period of January 1, 2003 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, 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

September 7, 2006

TOWN OF MOUNT SUMMIT
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, 2003, 2004, And 2005

	Cash and Investments 01-01-03	Receipts	Disbursements	Cash and Investments 12-31-03
Governmental Funds:				
General	\$ 6,477	\$ 20,239	\$ 23,545	\$ 3,171
Motor Vehicle Highway	22,209	9,403	10,440	21,172
Local Road and Street	14,159	2,004	2,905	13,258
Cemetery Maintenance	22,325	19,464	27,133	14,656
Cumulative Capital Improvement	7,343	603	1,700	6,246
Cemetery Endowment	4,883	189	189	4,883
Cemetery Endowment - Savings	35,759	321	-	36,080
Cemetery Endowment - CD	14,250	-	-	14,250
Cemetery Improvement	7,525	10,533	12,634	5,424
Riverboat	-	1,979	-	1,979
State Revolving Loan Fund	(1,789)	-	-	(1,789)
Proprietary Funds:				
Water Utility - Operating	28,837	150,323	156,734	22,426
Water Utility - Bond and Interest	19,687	6,980	-	26,667
Water Utility - Depreciation	9,651	4,400	-	14,051
Water Utility - Customer Deposit	3,255	515	20	3,750
Water Utility - SRF Bond and Interest	6,038	1,332	5,495	1,875
Fiduciary Fund:				
Payroll	(56,170)	78,053	84,865	(62,982)
Totals	\$ 144,439	\$ 306,338	\$ 325,660	\$ 125,117
	Cash and Investments 01-01-04	Receipts	Disbursements	Cash and Investments 12-31-04
Governmental Funds:				
General	\$ 3,171	\$ 52,079	\$ 25,549	\$ 29,701
Motor Vehicle Highway	21,172	13,644	30,215	4,601
Local Road and Street	13,258	2,074	410	14,922
Cemetery Maintenance	14,656	18,762	20,346	13,072
Cumulative Capital Improvement	6,246	584	-	6,830
Cemetery Endowment	4,883	328	328	4,883
Cemetery Endowment - Savings	36,080	320	-	36,400
Cemetery Endowment - CD	14,250	-	-	14,250
Cemetery Improvement	5,424	13,878	15,000	4,302
Riverboat	1,979	1,974	-	3,953
State Revolving Loan Fund	(1,789)	-	-	(1,789)
Proprietary Funds:				
Water Utility - Operating	22,426	148,297	191,928	(21,205)
Water Utility - Bond and Interest	26,667	-	19,180	7,487
Water Utility - Depreciation	14,051	2,400	-	16,451
Water Utility - Customer Deposit	3,750	950	360	4,340
Water Utility - SRF Bond and Interest	1,875	71,052	47,052	25,875
Fiduciary Fund:				
Payroll	(62,982)	80,762	83,631	(65,851)
Totals	\$ 125,117	\$ 407,104	\$ 433,999	\$ 98,222
	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 29,701	\$ 16,854	\$ 20,991	\$ 25,564
Motor Vehicle Highway	4,601	13,467	3,268	14,800
Local Road and Street	14,922	2,029	555	16,396
Cemetery Maintenance	13,072	23,023	17,998	18,097
Cumulative Capital Improvement	6,830	-	6,830	-
Cemetery Endowment	4,883	-	-	4,883
Cemetery Endowment - Savings	36,400	292	-	36,692
Cemetery Endowment - CD	14,250	-	-	14,250
Cemetery Improvement	4,302	375	4,677	-
Riverboat	3,953	1,974	-	5,927
State Revolving Loan Fund	(1,789)	-	-	(1,789)
Proprietary Funds:				
Water Utility - Operating	(21,205)	141,886	126,934	(6,253)
Water Utility - Bond and Interest	7,487	-	7,487	-
Water Utility - Depreciation	16,451	2,400	-	18,851
Water Utility - Customer Deposit	4,340	2,335	624	6,051
Water Utility - SRF Bond and Interest	25,875	55,231	22,046	59,060
Fiduciary Fund:				
Payroll	(65,851)	-	8,420	(74,271)
Totals	\$ 98,222	\$ 259,866	\$ 219,830	\$ 138,258

The accompanying notes are an integral part of the schedules.

TOWN OF MOUNT SUMMIT
NOTES TO SCHEDULES

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: cemetery, street maintenance and general administrative, and water utility 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 MOUNT SUMMIT
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 bonds for Water Plant Improvements and a capital lease for water meter equipment. The outstanding principal at December 31, 2005, was \$331,000 and \$2,906, respectively.

TOWN OF MOUNT SUMMIT
EXAMINATION RESULTS AND COMMENTS

OVERDRAWN FUND BALANCE - PAYROLL FUND

The Payroll Fund was overdrawn in 2003, 2004, and 2005. This indicates that either Town funds, and/or Utility funds did not transfer enough money to the Payroll Fund to pay gross payroll. We were not able to determine if these transfers, if made as required, would have exceeded appropriations for appropriated funds. We instructed the Clerk-Treasurer to correct the Payroll Fund balance in 2006 by transferring money from the General Fund, Cemetery Maintenance Fund, the Water Operating Fund or a combination of these funds to bring the Payroll Fund to the correct balance at the beginning of 2006. The correct balance in the Payroll Fund at the beginning of 2006 would be the balance of payroll withholdings withheld near the end of 2005 that were paid in early 2006.

The fund 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)

OVERDRAWN FUND BALANCE - OTHER

The Water Operating Fund and the State Revolving Loan Fund were overdrawn in 2004 and 2005.

The fund 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)

CORRECTION OF ERRORS

Some corrections and adjustments were made in the records without retaining recommended audit trails.

Receipt and disbursement corrections or other errors should be corrected by memorandum entry with the issuance of a check and receipt to document the flow of the transactions. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

ANNUAL REPORTS

Annual reports for 2003-2005 were not presented for examination.

Indiana Code 5-3-1-3(a) 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 . . ."

LIST OF EMPLOYEES (FORM 100-R) NOT FILED WITH BOARD OF ACCOUNTS

Form 100 R was not filed with the State Board of Accounts as required for 2003 and 2005.

Indiana Code 5-11-13-1 requires Form 100R, Names, Addresses, Duties, and Compensation of Public Employees to be filed with the State Board of Accounts each year.

TOWN OF MOUNT SUMMIT
EXIT CONFERENCE

The contents of this report were discussed on September 7, 2006, with Betty Gipe; President of the Town Council; and Sharon Jessup, Clerk-Treasurer. The officials concurred with our findings.