

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

EXAMINATION REPORT

OF

TOWN OF FLORA

CARROLL COUNTY, INDIANA

January 1, 2004 to December 31, 2005



FILED
09/28/2006

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OFFICIALS

| <u>Office</u> | <u>Official</u> | <u>Term</u> |
|-------------------------------|--------------------|----------------------|
| Clerk-Treasurer | Joretta L. Tinsman | 01-01-04 to 12-31-07 |
| President of the Town Council | Joshua Ayres | 01-01-04 to 12-31-06 |
| Wastewater Superintendent | William McCarty | 01-01-02 to 12-31-06 |
| Utility Manager | Charles Everett | 01-01-02 to 12-31-06 |
| Utility Foreman | Theodore Donoho | 01-01-02 to 12-31-06 |



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF FLORA, CARROLL COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Flora, 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 23, 2006

TOWN OF FLORA
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 |
|---|-------------------------------------|---------------------|---------------------|-------------------------------------|
| Governmental Funds: | | | | |
| General | \$ 1,198,491 | \$ 1,235,813 | \$ 870,955 | \$ 1,563,349 |
| Motor Vehicle Highway | 32,511 | 69,090 | 77,827 | 23,774 |
| Local Road and Street | 17,778 | 8,993 | 15,303 | 11,468 |
| Law Enforcement Continuing Education | 32,641 | 4,300 | - | 36,941 |
| Riverboat | 14,082 | 14,043 | - | 28,125 |
| Rainy Day | - | 18,271 | - | 18,271 |
| Police Grant | 337 | - | - | 337 |
| Carroll Communities Recycling Cooperative | - | 93,668 | 85,668 | 8,000 |
| Economic Development Income Tax | 52,982 | 30,779 | 9,340 | 74,421 |
| Cumulative Capital Improvement | 18,591 | 8,310 | 3,437 | 23,464 |
| Cumulative Capital Development | 148,610 | 30,713 | - | 179,323 |
| Cumulative Sewer | 31,227 | 56,253 | 23,425 | 64,055 |
| Proprietary Funds: | | | | |
| Electric Utility | 447,350 | 1,657,221 | 1,755,651 | 348,920 |
| Water Utility | 142,660 | 596,579 | 605,047 | 134,192 |
| Wastewater Utility | 480,030 | 1,057,292 | 1,090,478 | 446,844 |
| Fiduciary Fund: | | | | |
| Payroll | 7,017 | 731,754 | 731,635 | 7,136 |
| Totals | <u>\$ 2,624,307</u> | <u>\$ 5,613,079</u> | <u>\$ 5,268,766</u> | <u>\$ 2,968,620</u> |
| | | | | |
| | Cash and Investments 01-01-05 | Receipts | Disbursements | Cash and Investments 12-31-05 |
| Governmental Funds: | | | | |
| General | \$ 1,563,349 | \$ 891,923 | \$ 1,062,610 | \$ 1,392,662 |
| Motor Vehicle Highway | 23,774 | 78,968 | 91,765 | 10,977 |
| Local Road and Street | 11,468 | 8,951 | 14,422 | 5,997 |
| Law Enforcement Continuing Education | 36,941 | 9,262 | 3,878 | 42,325 |
| Riverboat | 28,125 | 14,496 | 28,000 | 14,621 |
| Rainy Day | 18,271 | 59,685 | - | 77,956 |
| Police Grant | 337 | - | 337 | - |
| Carroll Communities Recycling Cooperative | 8,000 | 96,909 | 88,541 | 16,368 |
| Economic Development Income Tax | 74,421 | 30,077 | 9,329 | 95,169 |
| Cumulative Capital Improvement | 23,464 | 6,884 | - | 30,348 |
| Cumulative Capital Development | 179,323 | 18,902 | - | 198,225 |
| Cumulative Sewer | 64,055 | 32,855 | - | 96,910 |
| Proprietary Funds: | | | | |
| Electric Utility | 348,920 | 2,246,458 | 2,198,891 | 396,487 |
| Water Utility | 134,192 | 850,888 | 828,440 | 156,640 |
| Wastewater Utility | 446,844 | 1,879,282 | 1,820,759 | 505,367 |
| Fiduciary Fund: | | | | |
| Payroll | 7,136 | 747,395 | 746,230 | 8,301 |
| Totals | <u>\$ 2,968,620</u> | <u>\$ 6,972,935</u> | <u>\$ 6,893,202</u> | <u>\$ 3,048,353</u> |

The accompanying notes are an integral part of the schedules.

TOWN OF FLORA
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.

TOWN OF FLORA
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 Wastewater Utility (1993), Wastewater Utility (1999) and Water Utility (2000). The outstanding principal at December 31, 2005, was \$415,000, \$2,242,000, and \$1,000,000, respectively.

TOWN OF FLORA
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain sufficient detailed records of capital assets. Upon purchase, the costs of the capital assets for Utilities are added to an aggregate Utility Plant in Service account, and to subsidiary accounts for land, buildings, etc., in the General Ledger. However, records providing historical costs for some of the capital assets are not available. The records classifying and summarizing the capital assets are also not available. There are no purchase or deletion dates found on the inventory listings to determine activity for the audit period. There is also no detail for deletions or disposals of capital assets.

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)

RECORD INFORMATION - CARROLL COMMUNITIES RECYCLING COOPERATIVE

The Carroll Communities Recycling Cooperative (CCRC) was established by an interlocal agreement (originally entered into in 2000, amended in 2005) between the Town of Burlington, the Town of Flora and the City of Delphi. For the period April 1, 2001 through July 31, 2006, there were no prescribed/approved records maintained for the CCRC.

The following conditions were noted:

- (1) There were no official board minutes maintained to document official actions approved regarding the CCRC. No record of wages, leave policies, or benefits approved (one employee); No record of claims or expenses approved; No record of appointment of fiscal officer or change therein; No record of agreement of each participants share of program costs;
- (2) No official / formal financial records or reports were maintained. A simplified check register showing deposits, checks issued, and a running balance was maintained, with monthly bank reconcilements to the running balance as maintained;
- (3) No general claim forms maintained. Paid receipts were available, but there was no indication of any type of board review or approval.
- (4) Unit has separate tax identification numbers for payroll and payroll withholding purposes; however, copies of such reports were not always maintained by and available from the unit. No record of days or hours worked was presented for review. No record of leave time earned or taken was presented for review. Payroll reported (941 Forms and W-2's) was wages earned during year, not actual wages paid during the year.

TOWN OF FLORA
EXAMINATION RESULTS AND COMMENTS
(Continued)

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)

At all times, the manual and computerized records, subsidiary ledgers, control ledger, and reconciled bank balance should agree. If the reconciled bank balance is less than the subsidiary or control ledgers, then the responsible official or employee may be held personally responsible for the amount needed to balance the fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PUBLIC PURCHASES LAW - CARROLL COMMUNITIES RECYCLING COOPERATIVE

The Carroll Communities Recycling Cooperative (CCRC) obtained and put into use, in November 2005, a new recycling truck; however, the financing arrangements were not finalized and signed until February 2006. The original cost was \$78,000; however, evidence of bids was not presented for examination.

Indiana Code 5-22-7-8 states: "A contract must be awarded with reasonable promptness by written notice to the lowest responsible and responsive bidder."

TOWN OF FLORA
EXIT CONFERENCE

The contents of this report were discussed on August 31, 2006, with Joretta L. Tinsman, Clerk-Treasurer; and Joshua Ayres, President of the Town Council. The officials concurred with our findings.