

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

EXAMINATION REPORT
OF
TOWN OF CRANE
MARTIN COUNTY, INDIANA
January 1, 2004 to December 31, 2005



FILED
12/19/2006

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:	
Capital Asset Records	6
Condition of Records	6
Customer Deposit Register	6
Delinquent Accounts Receivable	7
Delinquent Wastewater Accounts	7
Excessive or Unreasonable Costs	8
Official Bond	8
Overdrawn Cash Balances	8
Overpayment Collections	8
Penalties, Interest and Other Charges	8-9
Prescribed Forms	9
Receipt Issuance	9
Temporary Loan.....	9-10
Utility Billing	10
Exit Conference	11

OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Mary Kay Robinson	01-01-04 to 06-15-06
	Joyce A. Hughes	06-16-06 to 12-31-07
President of the Town Council	Phyllis A. Brinegar	01-01-04 to 06-30-04
	Bernard Butcher	07-01-04 to 03-31-06
	Vacant	04-01-06 to 09-11-06
	Phyllis A. Brinegar	09-12-06 to 12-31-06



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2769

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF CRANE, MARTIN COUNTY, INDIANA

We have examined the schedules of receipts, disbursements, and cash and investment balances of the Town of Crane (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

October 19, 2006

TOWN OF CRANE
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	\$ 53,514	\$ 39,788	\$ 54,975	\$ 38,327
Motor Vehicle Highway	80,702	6,569	1,426	85,845
Local Road and Street	13,842	1,009	-	14,851
Law Enforcement Continuing Education	240	-	-	240
Cumulative Capital Improvement	21,172	864	-	22,036
Proprietary Funds:				
Water Utility - Operating	(92,423)	37,309	56,434	(111,548)
Water Utility - Depreciation	15,160	-	-	15,160
Water Utility - Customer Deposit	5,623	833	500	5,956
Wastewater Utility - Operating	(87,172)	22,085	28,223	(93,310)
Wastewater Utility - Depreciation	13,717	1,334	-	15,051
Wastewater Utility - Customer Deposit	4,102	575	360	4,317
Electric Utility - Operating	105,229	92,252	97,761	99,720
Electric Utility - Depreciation	35,195	5,289	-	40,484
Electric Utility - Customer Deposit	7,849	1,300	700	8,449
Fiduciary Fund:				
Payroll	718	27,980	22,820	5,878
Totals	<u>\$ 177,468</u>	<u>\$ 237,187</u>	<u>\$ 263,199</u>	<u>\$ 151,456</u>

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 38,327	\$ 39,761	\$ 41,462	\$ 36,626
Motor Vehicle Highway	85,845	6,344	220	91,969
Local Road and Street	14,851	1,000	-	15,851
Law Enforcement Continuing Education	240	10	-	250
Cumulative Capital Improvement	22,036	692	-	22,728
Proprietary Funds:				
Water Utility - Operating	(111,548)	38,333	33,088	(106,303)
Water Utility - Depreciation	15,160	-	-	15,160
Water Utility - Customer Deposit	5,956	1,000	438	6,518
Wastewater Utility - Operating	(93,310)	22,160	58,055	(129,205)
Wastewater Utility - Depreciation	15,051	1,300	21	16,330
Wastewater Utility - Customer Deposit	4,317	675	315	4,677
Electric Utility - Operating	99,720	99,261	101,863	97,118
Electric Utility - Depreciation	40,484	5,460	-	45,944
Electric Utility - Customer Deposit	8,449	1,599	700	9,348
Fiduciary Fund:				
Payroll	5,878	27,657	23,958	9,577
Totals	<u>\$ 151,456</u>	<u>\$ 245,252</u>	<u>\$ 260,120</u>	<u>\$ 136,588</u>

The accompanying notes are an integral part of the schedules.

TOWN OF CRANE
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, highways and streets, general administrative services, electric, water and wastewater.

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. 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 CRANE
EXAMINATION RESULTS AND COMMENTS

CAPITAL ASSET RECORDS

The Town and Utilities do not maintain sufficient detailed records of 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. 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)

CONDITION OF RECORDS

The following deficiencies, relating to the recordkeeping that were cited in the prior report, were again present during our period of examination:

- (1) Record balances were not reconciled to depository balances during the two year period.

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."

- (2) There were a considerable number of posting errors. These errors included deposits not receipted, checks and receipts not recorded in the proper amounts, receipts posted twice, interest not posted, and bank service charges incorrectly posted.

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)

- (3) Receipts and disbursements per the detail did not agree with the control. Disbursements per the Ledger of Appropriations, Encumbrances, and Balances (City and Town Form 209) did not agree to the disbursements per the Ledger of Receipts Disbursements, and Balances (City and Town Form 208).

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)

CUSTOMER DEPOSIT REGISTER

The detailed customer deposit register does not reconcile with the customer deposit amount recorded on the general ledger.

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)

TOWN OF CRANE
EXAMINATION RESULTS AND COMMENTS
(Continued)

DELINQUENT ACCOUNTS RECEIVABLE

Ordinance 2002-3 and 2005-3 established the penalty percentage for delinquent customers if not paid by the fifteenth of the month. The Utility did not always charge the correct penalty percentage to delinquent customers as required by the ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

A similar comment appeared in prior reports.

DELINQUENT WASTEWATER ACCOUNTS

Delinquent wastewater fees and penalties had not been recorded with the County Recorder nor were they certified to the County Auditor which would result in a lien against the property.

Indiana Code 36-9-23-33 states in part:

"(b) Except as provided in subsection (l), the officer charged with the collection of fees and penalties assessed under this chapter shall enforce their payment. As often as the officer determines is necessary in a calendar year, the officer shall prepare either of the following:

- (1) a list of the delinquent fees and penalties that are enforceable under this section, which must include the following:
 - (A) the name or names of the owner or owners of each lot or parcel of real property on which fees are delinquent;
 - (B) a description of the premises, as shown by the records of the county auditor; and
 - (C) the amount of the delinquent fees, together with the penalty; or
- (2) an individual instrument for each lot or parcel of real property on which the fees are delinquent."

"(c) The officer shall record a copy of each list or each individual instrument with the county recorder. . ."

"(e) Using the lists and instruments prepared under subsection (b) and recorded under subsection (c), the officer shall, not later than ten (10) days after the list or each individual instrument is recorded under subsection (c), certify to the county auditor a list of the liens that remain unpaid for collection in the next May. . . ."

A similar comment appeared in prior reports.

TOWN OF CRANE
EXAMINATION RESULTS AND COMMENTS
(Continued)

EXCESSIVE OR UNREASONABLE COSTS

The Water Utility paid an estimated \$29,032 for purchased water during the audit period that was lost due to leaks in the water system. Repairs were made for the leaks, at a total cost of \$905. The failure to repair the leak timely cost the Water Utility approximately \$28,127 in excessive costs.

Every effort should be made by the governmental unit to avoid unreasonable or excessive costs. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BOND

The Clerk-Treasurer's official bond was not filed in the Office of the County Recorder.

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. . . ."

A similar comment appeared in prior reports.

OVERDRAWN CASH BALANCES

The cash balances of the Water Utility Operating Fund and the Wastewater Utility Operating Fund were overdrawn as of December 31, 2004 and 2005. The balances of the Water and Wastewater Utility Operating Funds amounted to (\$106,303) and (\$129,205), respectively, as of December 31, 2005.

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)

A similar comment appeared in prior reports.

OVERPAYMENT COLLECTIONS

An overpayment of \$216.00 was made to the Indiana Department of Revenue for June 2004 sales taxes. A refund has not been received as of October 15, 2006.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PENALTIES, INTEREST AND OTHER CHARGES

Penalties and interest totaling \$68.75 were paid to the Indiana Department of Revenue on September 10, 2004, on Electric Utility Sales Tax for the month of June 2004. The Clerk-Treasurer reimbursed the Town for penalties paid totaling \$68.75 on September 10, 2004.

Also, penalties totaling \$34.53 were paid to the Indiana Department of Revenue on June 8, 2005, on Water and Electric Utility Corporate Gross Income Taxes due during 2001 and 2002. The Clerk-Treasurer reimbursed the Town for penalties paid totaling \$34.53 on June 8, 2005.

TOWN OF CRANE
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)

PRESCRIBED FORMS

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

Register of Investments, General Form 350
Guarantee Deposit Register, Utility Form 314
Guarantee Deposit Receipt, Utility Form 310
Capital Asset Ledger, City and Town Form 211
Consumer Ledger, Utility Forms 320 and 322

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)

A similar comment appeared in prior reports.

RECEIPT ISSUANCE

The Consumer's Guarantee Deposit Receipt (Form 310) was not issued for all customer deposits made during the audit period.

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)

TEMPORARY LOAN

In 1997, a temporary loan was made from the General, Motor Vehicle Highway, Local Road and Street, Cumulative Capital Improvement, Electric Utility and Wastewater Utility funds to the Water Utility Operating Fund to retire water notes and has not been repaid as of December 31, 2005. The outstanding balance of the loan owed to Town funds, the Electric Utility, and the Wastewater Utility as of December 31, 2005, amounted to \$23,068, \$9,291, and \$11,148, respectively.

TOWN OF CRANE
EXAMINATION RESULTS AND COMMENTS
(Continued)

Indiana Code 36-1-8-4 concerning temporary transfer states in part:

"(a) . . . (3) Except as provided in subsection (b), the prescribed period must end during the budget year of the year in which the transfer occurs. (4) The amount transferred must be returned to the other fund at the end of the prescribed period. . . ."

"(b) If the fiscal body of a political subdivision determines that an emergency exists that requires an extension of the prescribed period of a transfer under this section, the prescribed period may be extended for not more than six (6) months beyond the budget year of the year in which the transfer occurs if the fiscal body does the following:

- (1) Passes an ordinance or a resolution that contains the following:
 - (A) A statement that the fiscal body has determined that an emergency exists.
 - (B) A brief description of the grounds for the emergency.
 - (C) The date the loan will be repaid that is not more than six (6) months beyond the budget year in which the transfer occurs.
- (2) Immediately forwards the ordinance or resolution to the state board of accounts and the department of local government finance."

Indiana Code 8-1.5-3-11(f) states: "A cash reserve fund, if authorized by ordinance, may be used to make loans to another utility owned by the same municipality, for periods not to exceed five (5) years, at any interest rate. The repayment of the loan and interest shall be returned to the cash reserve fund."

A similar comment appeared in prior reports.

UTILITY BILLING

The following deficiencies were noted on the utility billing:

1. The amount billed for the Electric Utility's fuel cost and the minimum charge were not included in the rate ordinance.
2. Monthly trash collection charges were not established by an ordinance.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

TOWN OF CRANE
EXIT CONFERENCE

The contents of this report were discussed on October 19, 2006, with Phyllis A. Brinegar, President of the Town Board; Wilma Magnus, Town Board member; and Joyce A. Hughes, Clerk-Treasurer. The officials concurred with our findings.