

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

EXAMINATION REPORT

OF

TOWN OF HAZLETON

GIBSON COUNTY, INDIANA

January 1, 2005 to December 31, 2006



FILED

06/20/2007

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OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	Marcia D. Hall	01-01-04 to 12-31-07
President of the Town Council	Billie Jean Barnett Rebecca L. Sherman	01-01-05 to 04-11-06 04-12-06 to 12-31-07



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF THE TOWN OF HAZLETON, GIBSON COUNTY, INDIANA

We have examined the financial information presented herein of the Town of Hazleton (Town), for the period of January 1, 2005 to December 31, 2006. The Town's management is responsible for the financial information presented herein. 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 financial information presented herein 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 financial information referred to above presents fairly, in all material respects, the financial information of the Town for the years ended December 31, 2005 and 2006, based on the criteria set forth in the uniform compliance guidelines established by the Indiana State Board of Accounts.

STATE BOARD OF ACCOUNTS

May 16, 2007

TOWN OF HAZLETON
SCHEDULES OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES
ALL GOVERNMENTAL AND PROPRIETARY FUND TYPES
As Of And For The Years Ended December 31, 2005 And 2006

	Cash and Investments 01-01-05	Receipts	Disbursements	Cash and Investments 12-31-05
Governmental Funds:				
General	\$ 6,132	\$ 20,779	\$ 19,254	\$ 7,657
Motor Vehicle Highway	7,889	16,939	14,076	10,752
Local Road and Street	3,066	2,119	3,609	1,576
Rainy Day	1,408	-	818	590
Town Hall Building	22	5,765	5,732	55
Cumulative Capital Improvement	2,034	890	1,000	1,924
Economic Development Income Tax Fund	2,550	2,633	2,623	2,560
FEMA Disaster Relief	187	101,366	92,485	9,068
Build Indiana	2,175	-	2,175	-
Proprietary Funds:				
Water Utility - Operating	7,539	84,307	70,184	21,662
Water Utility - Bond and Interest	43,210	26,419	69,629	-
Water Utility - Depreciation	11,458	10,973	-	22,431
Water Utility - Customer Deposit	2,133	240	46	2,327
Totals	<u>\$ 89,803</u>	<u>\$ 272,430</u>	<u>\$ 281,631</u>	<u>\$ 80,602</u>

	Cash and Investments 01-01-06	Receipts	Disbursements	Cash and Investments 12-31-06
Governmental Funds:				
General	\$ 7,657	\$ 21,241	\$ 17,386	\$ 11,512
Motor Vehicle Highway	10,752	13,507	5,539	18,720
Local Road and Street	1,576	4,681	448	5,809
Rainy Day	590	-	-	590
Town Hall Building	55	-	-	55
Cumulative Capital Improvement	1,924	1,029	1,000	1,953
Economic Development Income Tax Fund	2,560	2,933	2,623	2,870
FEMA Disaster Relief	9,068	80,195	79,830	9,433
Proprietary Funds:				
Water Utility - Operating	21,662	40,902	52,645	9,919
Water Utility - Depreciation	22,431	14,994	-	37,425
Water Utility - Customer Deposit	2,327	760	439	2,648
Totals	<u>\$ 80,602</u>	<u>\$ 180,242</u>	<u>\$ 159,910</u>	<u>\$ 100,934</u>

The accompanying notes are an integral part of the schedules.

TOWN OF HAZLETON
NOTES TO FINANCIAL INFORMATION

Note 1. Introduction

The Town was established under the laws of the State of Indiana. The Town provides the following services: general administrative services, highways and streets, and water.

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.

Note 6. Subsequent Event

The Town of Hazleton has been fined for failure to obtain proper permits for the construction of a water line. They have subsequently hired a licensed engineer to prepare plans for approval of the line. They are subject to additional fines for noncompliance with requirements if they do not obtain approvals.

TOWN OF HAZLETON
EXAMINATION RESULTS AND COMMENTS

CASH DISBURSEMENTS – (Applies to Town)

A few disbursements were made with a Town debit card.

Disbursements, other than proper petty cash disbursements, shall be by check or warrant, not by cash or other methods unless specifically authorized by statute, federal or state rule. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OVERPAYMENT COLLECTIONS – (Applies to Town)

On December 14, 2005, salary payments of \$1,141.23, \$1,141.23 and \$83.76, were made to Marcia D. Hall, Clerk-Treasurer, Billie Jean Barnett and Suetta Robb, Council members, respectively, from Federal Emergency Management Agency (FEMA) funds received by the Town for flood relief. These salary payments are in addition to the compensation allowed by the Town's salary ordinance. Also on December 14, 2005, Billie Jean Barnett received \$330 in reimbursement for undocumented telephone calls relating to the flood relief. None of the above payments were included in payroll reporting.

Indiana Code 36-5-3-2 states:

"(a) As used in this section, 'compensation' means the total of all money paid to an elected town officer for performing duties a town officer, regardless of the source of the funds from which the money is paid.

(b) The town legislative body shall, by ordinance, fix the compensation of its own members, the town clerk-treasurer and the town marshal. The legislative body shall provide reasonable compensation for other town officers and employees.

(c) The compensation of an elected town official may not be changed in the year for which it is fixed, nor may it be reduced below the amount fixed for the previous year.

(d) The legislative body may provide that town officers and employees receive additional compensation for services that: (1) are performed for the town; (2) are not governmental in nature; and (3) are connected with the operation of a municipally owned utility or function. Subject to the approval of the legislative body, the administrative agency operating the utility or function shall fix the amount of the additional compensation, which shall be paid from the revenues of the utility or function."

Compensation of all town officers and employees shall be fixed by an ordinance of the town council, and for other than elected town officials, this compensation may be changed by another ordinance of the town council at any time. There is no limitation upon the amount fixed, only to the extent of available appropriations where tax funds are involved. (IC 36-5-3-2) At the time such compensation is fixed, it may be prorated between the general fund or any other applicable funds of the town, as well as any available funds.

All compensation and benefits paid to officials and employees must be included in the salary ordinance adopted by the legislative 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 HAZLETON
EXAMINATION RESULTS AND COMMENTS
(Continued)

On May 16, 2007, the recipients were requested to repay these amounts. Marcia D. Hall has signed a payment plan approved by the Town Council to repay the charge in full. Suetta Robb has agreed to have the full amount withheld from her May 2007 Council salary.

Billie Jean Barnett refused to repay the amount due. (See Summary, page 10)

ERRORS ON CLAIMS – (Applies to Town and Water Utility)

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

- (1) Some claims were not adequately itemized.
- (2) A few claims did not have board approval.
- (3) 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."

GUARANTEE DEPOSIT REGISTER – (Applies to Water Utility)

The Guarantee Deposit Register was not in balance with the Water Utility Customer Deposit Fund's cash balance.

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 HAZLETON
EXAMINATION RESULTS AND COMMENTS
(Continued)

SERVICE AND TIME RECORDS – (Applies to Town)

Employee time, attendance, or service records were not maintained and presented for examination.

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)

ORDINANCES AND RESOLUTIONS – (Applies to Water Utility)

We noted that penalties and/or deposit requirements were waived for certain customers. We also noted one instance in which the installation of a water line was authorized, prior to the required permit being obtained.

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)

Governmental units have a responsibility to collect amounts owed to the governmental unit pursuant to procedures authorized by statute. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

INTERNAL CONTROLS – (Applies to Water Utility)

We observed customers depositing water payments in a drop box which could not be locked. We also observed unauthorized personnel accepting customer payments.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

OFFICIAL BONDS – (Applies to Town)

The Clerk-Treasurer is covered by a Western Surety Company official bond for \$15,000 for the periods of January 1, 2005 ending December 31, 2005, and January 1, 2007 ending December 31, 2007. The Clerk-Treasurer appears to have obtained an official bond for the year 2006; however, the bond was not recorded and could not be located.

TOWN OF HAZLETON
EXIT CONFERENCE

The contents of this report were discussed on May 16, 2007, with Marcia D. Hall, Clerk-Treasurer; Rebecca L. Sherman, President of the Town Council; and Suetta Robb, Council member. The officials concurred with our findings.

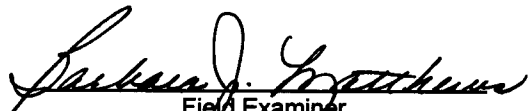
TOWN OF HAZLETON
SUMMARY

	<u>Charges</u>	<u>Credits</u>	<u>Balance Due</u>
Billie Jean Barnett, Council member: Overpayment Collections, pages 6 and 7	<u>\$ 1,471.23</u>	<u>\$ -</u>	<u>\$ 1,471.23</u>

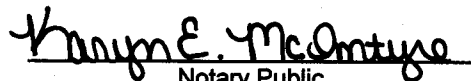
AFFIDAVIT

STATE OF INDIANA)
)
GIBSON COUNTY)

I, Barbara J. Matthews, Field Examiner, being duly sworn on my oath, state that the foregoing report based on the official records of the Town of Hazleton, Gibson County, Indiana, for the period from January 1, 2005 to December 31, 2006, is true and correct to the best of my knowledge and belief.


Field Examiner

Subscribed and sworn to before me this 8th day of June, 2007.


Notary Public

My Commission Expires: November 13, 2008
County of Residence: Vanderburgh

